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Potshots

If God had wanted man to be vegetarian, then he would not have made animals out of meat.
—Michael Bach

Outside of the killings, Washington has one of the lowest crime rates in the country.
—Mayor Marion Barry

Computers must be female: Even the smallest mistakes are immediately committed to memory for future reference.

Computers must be male: They periodically cut you off right when you think you've established a network connection.

There can be no real freedom without the freedom to fail.
—Eric Hoffer

There are no good guns. There are no bad guns. Any gun in the hands of a bad man is a bad thing. Any gun in the hands of a decent person is no threat to anybody, except bad people.
—Charlton Heston

Given the choice, I'd take Joe Camel over Big Brother any day.
—Michael L. Needham

In the eyes of government, we are just one race here. It is American.
—Antonin Scalia

National Testing: Blueprint for Disaster

Cheri Pierson Yecke

As part of President Johnson's "Great Society" in the 1960s, our government created an expansive, nationalized welfare system. The intentions were good and honorable, and the goals were compassionate . . . yet now it is widely agreed that these social programs spawned disastrous consequences few could have foreseen.

In 1996, Congress agreed that the federal welfare program had become an out-of-control monstrosity. Legislation was adopted that returned control of welfare programs to the states, so that each could tailor its program to fit its unique circumstances.

Each state is now a laboratory in which varied experiments are underway. States can learn from the successes and mistakes of others. Some programs will become models to be emulated and modified, while others will be discarded. As a country, we will discover successful welfare reform models through individual state efforts.

From Welfare to Education

Even as it surrenders federal control of the welfare system, the Clinton administration is attempting to nationalize American education through national testing. The national dialogue on rigorous, challenging standards has just begun. National testing, however, may effectively close the door on this dialogue: National testing is a back-door attempt to impose national standards.

What sorts of standards might result? It is unlikely that they would be based on rigorous and challenging content, as are the award-winning standards in my home state of Virginia. Far more likely, nationally imposed standards would be dumbed-down versions of political correctness.

The federal government's track record on educational standards is a national embarrassment. It spent $2.2 million to write national history standards that were the epitome of political correctness, widely repudiated and soundly rejected.

President Clinton scoffs at such concerns, saying "Algebra is algebra." Secretary of Education Richard Riley agrees, saying "Reading is reading. Math is math. For these basics, let's not cloud our children's future with silly arguments about federal intrusion."

Such flippant rhetoric suggests a simplistic understanding of highly complex and controversial education issues. It also reveals the politicians' ignorance of the desperate battles fought every day by parents across America

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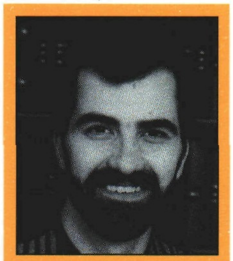

News from the Heartland

by Joseph L. Bast
Publisher

Welcome to 1998!

This year, The Heartland Institute is better equipped than ever to provide you with all the public policy research and commentary you need.

As usual, this issue of *Intellectual Ammunition* contains columns written by the country's leading experts on crime, education, environment, health care, and other major issues. Bound inside the magazine is *PolicyFax Update*, containing over 100 summaries of new research and articles available through Heartland's fax-on-demand service.

Heartland also sends two free monthly newspapers to every state and national elected official. *School Reform News*, edited by *IA* columnist George Clowes, covers the market-based school reform scene, while *Environment News*, edited by science writer Bonner Cohen, covers sound science and environmental regulations. Both newspapers have dozens of links to *PolicyFax* so readers can order the complete text of new reports, court decisions, and other documents.

Please use the survey on the back cover to let us know what you think of our efforts and how they can be improved. We really do value your input.

School Reform's Rocky Road

Education Week recently reported that the National Adult Literacy Survey found that nearly half of all adult Americans score in the lowest two levels of literacy, "well below what American workers need to be competitive in the global economy." The latest National Assessment of Educational Progress found test scores near record-setting lows.

The problem isn't limited to the inner city. A company located in suburban Chicago administers a 6th-grade math test to everyone who applies for a job. The test is designed to be completed in just five minutes. Yet that company's CEO, Jack Roeser, tells me that a mere 20 percent of the applicants pass the test in the time allowed, while about half can pass if given ten minutes. Most of those job applicants graduated from "high-quality" suburban high schools that spend in excess of $10,000 per student per year.

The solution does not reside in Washington. Cheri Pierson Yecke, a member of the Virginia State Board of Education and author of this issue's cover story, accurately calls the proposed national history standards "a national embarrassment" and "the epitome of political correctness." The federal government, according to Yecke, should stop meddling in school curricula matters and allow state and local governments to perform their constitutionally assigned tasks.

Later in this issue, columnist George Clowes' account of reform efforts underway at the state level is much more positive. Nearly a dozen states enacted or considered education tax incentives during 1997, and a dozen more considered voucher proposals. Private voucher programs are spreading across the country, demonstrating that children of the poor gain the most when parents are allowed to choose the schools their children attend.

The states are on their way to solving the problems of public schools that cost too much and achieve too little. The best thing the feds could do is simply get out of the way.

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on behalf of their children's education. If "reading is reading," then why does there rage a national controversy over phonics and whole language? If "math is math," then why the outrage in districts that have introduced "fuzzy math," "new-new math," and "rainforest algebra"?

Americans Reject Federal Involvement

It is ironic that an administration widely criticized for being overly enamored with polling data nevertheless refuses to recognize the American public's opposition to increasing the role of the federal government in education.

In 1994, Public Agenda published "First Things First: What Americans Expect from the Public Schools." The group asked Americans to indicate how much they trust certain education decision-makers. Of the 12 decision-makers listed, parents in the community were ranked number one, with 67 percent of the survey respondents identifying them as the people who could best be trusted with education decisions. At the bottom of the list, with only 14 percent of the public's vote, were elected officials in Washington.

Similar findings were reported in the 1995 Phi Delta Kappa/Gallup Poll. Sixty-four percent of those responding would give the federal government less influence than it currently has in determining the education programs of local public schools.

Proponents of national testing point to the 1997 Phi Delta Kappa/Gallup Poll, claiming that 57 percent of the survey respondents support President Clinton's proposal. But consider how the survey question was worded:

> *President Clinton has proposed that the performance of the nation's public schools be assessed according to how well students score on achievement tests at two different grade levels. In general, do you favor or oppose this proposal?*

Notice that respondents were asked about the use of "achievement tests" in general, not about new, national tests. How many of those who were asked this question assumed that "achievement tests" meant the Iowa Test of Basic Skills or the Stanford 9? If little more than half of the survey respondents favored such a vague notion of testing, how much weaker would be the public's support for the President's plan?

The results of another recent survey were far more telling. Fewer than 20 percent of Americans polled by the National Constitution Center could correctly answer at least eight of ten basic questions about the Constitution. This appalling lack of knowledge is not limited to everyday Americans. Many of our politicians in Washington—elected representatives who should know better—are operating under the delusion that the federal government has a Constitutional role to play in the education programs of the states. It does not.

Our Tenth Amendment states, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

If "math is math," then why the outrage in districts that have introduced "fuzzy math," "new-new math," and "rainforest algebra"?

Nothing could be more clear. The federal government needs to stop micro-managing state affairs. Decreasing its role in education would be a good place to start.

To our good fortune, 295 members of the House of Representatives—over two-thirds of the members, Republicans and Democrats alike—recognized this fact and voted to halt funding for the President's testing scheme. In doing so, they wisely recognized that the opponents of national testing are not merely voicing "silly arguments about federal intrusion," but rather legitimate and valid concerns.

Violating its Own Rules

The President's proposal does, after all, fly in the face of a number of existing federal regulations. The Department of Education Organization Act (DEOA) provides that "The establishment of the Department of Education shall not increase the authority of the Federal Government over education" (section 103). In subsection (b), the Act continues: "No provision of a program administered by the Secretary or by any other officer of the Department shall be construed to authorize . . . any direction, supervision, or control over the curriculum (or) program of instruction . . . of any educational institution, school, or school system."

Similarly, the Elementary and Secondary Education Act (ESEA), in section 14512, states that nothing in the act shall be construed to give the federal government the authority to "mandate, direct, or control" a state's curriculum.

It thus appears that this administration's efforts to impose national tests are, at best, circumventing the law; at worst, a brazen and illegal power grab.

More than a decade ago, Dr. George Roche, the president of Hillsdale College, foresaw what loomed on education's horizon. In 1985, he warned that

> *Federal efforts to intervene in the workings of the nation's school systems are ill-advised, wasteful, and counter-productive. . . . Increasingly over the last few decades, the education bureaucracy has come to believe that they, not parents, know best how to educate America's children. They have come to see themselves as "change agents" whose mission is to reform outmoded notions children have picked up from their parents and substitute instead a new system of values. . . . And this questionable enterprise has been fostered and financed by the federal education establishment.*

Standing on Principle

All of these groups have one thing (and in some cases, only one thing) in common: They do not support the President's national testing scheme.

Now is not the time for compromise. It is time to stand on principle, and to loudly and clearly "just say no." No to increasing the federal education juggernaut; no to a proposal that is unconstitutional; no to a scheme that violates long-standing federal regulations; no to pre-empting the currently robust national dialogue on standards; and no to the *de facto* imposition of a national curriculum by way of national testing.

Americans have witnessed the out-of-control growth of the federal welfare state, and we learned the hard way that such top-down programs do not work. Congress has done the right thing for the country's welfare system, reversing course and returning power to the states—where decisions can be tailor-made to fit each state's needs.

Juries and Justice

Morgan O. Reynolds

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at the National Center
for Policy Analysis.

Has our criminal justice system spun out of control? With the controversies surrounding the *au pair* Louise Woodward, O.J. Simpson, Rodney King, the Menendez brothers, and other well-publicized decisions, the system seems to "get it wrong" too often. Can't we do better? Yes, but it is a mistake to infer too much from these anomalous cases.

If a crime occurs and the police fail to discover who committed it, that is just as much a failure of justice as if a Massachusetts judge overrules a jury verdict and releases a criminal with "time served." The principal difference, as University of Arizona economist Gordon Tullock points out, is that police failures receive little publicity. Criminals usually get away with their crimes: Victims only report half of them, and the police only make an arrest in 20 percent of the crimes they know about. That means that the greatest opportunities to improve justice are at the level of the police. Ironically, polls show high public confidence in the police, but not in the justice system.

In the overwhelming majority of cases received from the police, prosecutors dismiss or convict with no litigation, thereby avoiding the expense and unpredictability of a trial. In fact, 92 percent of those in prison have waived their right to a trial in favor of a guilty plea and agreement to a pretrial sentence (probation, jail, or prison). These confessions virtually guarantee that the vast majority of prisoners are guilty of the crimes they were convicted of (if not worse!). The remaining 8 percent of prison inmates are convicted at trial, half by juries and half by judges.

Justice Oliver Wendell Holmes claimed that "the man who wants a jury has a bad case." Yet half of criminal defendants choose a bench trial, probably because the last thing they want is the common-sense judgment of the community. A defendant might stand a better chance with a professional jurist than with conscripted amateurs if his or her defense is based on a technical matter, a legal issue, or a "reasonable doubt" test that may work better with a judge. In 1993, federal judges acquitted defendants in a whopping 44 percent of criminal cases; federal juries acquitted in only 15 percent of their cases.

Scientific research on the accuracy of jury decisions is scarce. Careful studies at the University of Chicago and Oxford University in England, however, suggest that juries get it wrong in about one in eight cases, either acquitting the guilty or committing the more serious harm of convicting the innocent.

That may sound shockingly high, but if the error rate of judges is no higher than that of juries, it implies that fewer than one in a hundred prisoners has been wrongly imprisoned, since 92 percent pled guilty and at least 7 percent were properly convicted at trial. For government work, that's pretty good quality control!

Perfection is beyond our grasp, but what might be done to improve judicial procedures? Tocqueville rightly argued that "the jury is above all a political institution." Of all the legal institutions involved in the aftermath of the Waco tragedy, for example, the one that performed best was the jury. It recognized government lies for what they were, and it was able to do something about it. Given the jury's function as a check on government over-reaching, a strong jury system is more important than ever. Appropriate reforms should aim at helping the jury function more effectively.

> *In 1993, federal judges acquitted defendants in a whopping 44 percent of criminal cases; federal juries acquitted in only 15 percent of their cases.*

We should diversify jury pools, speed the selection process, and help juries to make more accurate decisions. Lawyers make too many jury trials into expensive farces by "dumbing down" the jury and limiting jurors' access to evidence. Jury selection should limit each side to two peremptory challenges.

Juries have been nearly blindfolded by complex laws denying them access to evidence. So-called hearsay evidence, for example, should be allowed—just as it is in daily life and in the European court system—but given less weight than direct evidence. Jurors should be provided with paper and pencil and encouraged to take notes, and be able to question witnesses by writing questions submitted to the judge, among many other reforms.

The justice system has been called the indispensable adhesive holding society together. A well-tuned criminal justice system punishes the guilty and leaves the innocent unmolested. Let's allow juries to function more effectively . . . or we'll watch civilization crumble.

Available on *PolicyFax*

Joe's Excellent Adventure: Jury Duty
When Heartland Institute president Joseph Bast was called for jury duty in August '97, he was dismayed by how ill-prepared his fellow jurors were. (The Heartland Institute, September 1997, 2 pp.)

Call 312/377-3000
Request document #4800109

Banner Year for School Choice

George Clowes

George Clowes is managing editor of *School Reform News*, a monthly newspaper published by The Heartland Institute.

Nineteen ninety-seven was a breakthrough year for market-oriented education reform. Choice proposals were introduced in states and local communities across the country, signaling robust support for vouchers, tax credits, and charter schools . . . even if most plans were ultimately rejected by the politicians.

Education Tax Incentives

Minnesota increased its long-standing tax deductions for K-12 education expenses. Low-income families now qualify for a refundable credit of $1,000 per child, $2,000 per family.

Effective January 1, **Arizona** taxpayers qualify for a tax credit of up to $500 when they make donations to organizations providing scholarships to private and religious schools. In **Illinois**, a tuition tax credit bill overwhelmingly passed the state legislature but was rejected in January by Governor Jim Edgar. **Missouri**'s proposed tax deduction was rejected by a House-Senate conference committee.

> *Voucher programs introduced by state elected officials generated much enthusiasm among parents and taxpayers, but little respect from the sponsors' legislative colleagues.*

Tuition tax credit proposals are still under consideration in the legislatures of **Iowa**, **Maryland**, **New Hampshire**, and **Utah**. In **Oregon**, the School Choice Task Force is drafting a constitutional amendment to create a tuition tax credit program, while the Loudoun County, **Virginia**, county board is considering a plan that would provide up to a $1,250 tax credit per child, $3,000 per family.

In **Congress**, a filibuster defeated Georgia Senator Paul Coverdell's "A+ Education Saving Account" bill. The proposal—which would permit families to save money in a tax-free savings account for K-12 education expenses, including religious school tuition—is expected to resurface in 1998.

Vouchers and Scholarships

CEO America's private scholarship programs increased their enrollments to nearly 14,000 in 1997. Charitable donations created many new funds, including the School Choice Scholarships Foundation in New York City, A Better Choice in Albany, and the Washington Scholarship Fund.

Voucher proposals—even those introduced by the state's top executives—stalled in many state legislatures. Governors in **California**, **New Mexico**, and the **Northern Mariana Islands** introduced far-reaching voucher programs to their respective legislative bodies, but no action was taken on the measures in 1997.

Similarly, programs introduced by state elected officials generated much enthusiasm among parents and taxpayers, but little respect from the sponsors' legislative colleagues. **Delaware** Representative Deborah Capano's bill never left committee. A **Florida** pilot plan stalled after clearing committees. In **Kansas**, Representative Kay O'Connor's plan received no legislative action. In **Louisiana**, the Senate Education Committee defeated Senator Tom Greene's proposal. A **New York** bill garnered sponsors, but the legislature took no action on it. And in **Pennsylvania**, Representative Dwight Evans sponsored a bill that was not taken up in 1997.

Proposals to amend state constitutions were offered in **Michigan**, where a grassroots initiative is under way to put a constitutional amendment on the ballot for voter approval, and in **Oregon**, where a legislative proposal to amend the constitution died in committee. In **Colorado**, a 1998 ballot initiative would allow for the creation of a statewide voucher system.

In several states, school choice battles are being fought in the courts. In **Colorado**, 3,500 parents sued for vouchers to rescue their children from failing Denver public schools. In **Maine**, parents filed suit challenging the exclusion of religious schools from the state's long-standing "tuitioning" program. The **Vermont** Supreme Court is reviewing the constitutionality of tuitioning at religious schools. In **Ohio** and **Wisconsin**, the state supreme courts are reviewing the constitutionality of choice programs already in place.

Choice proposals are springing up on the local level as well. In **Lincoln Park, New Jersey**, a local school choice program was rescinded by a newly elected school board. The **Southeast Delco, Pennsylvania** school board proposed a local voucher program, while the **Lake Travis, Texas** board approved a program that offered $3,000 tuition scholarships for use at private or religious schools.

At the federal level, **Congress** defeated the HELP scholarship bill, which would allow local school districts to use block grant money to fund vouchers for low-income students. A bill to offer vouchers to students in the nation's capital passed the Senate and awaits further action. If the measure clears the House this year, it faces an almost certain veto from President Clinton.

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An Evaluation of the Milwaukee Parental Choice Program

Finds "quite large" gains in math scores for the students who participate in the Milwaukee Parental Choice Program. (National Bureau of Economic Research, December 1996, 5 pp.)

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Environment

Jonathan H. Adler

Jonathan H. Adler is director of environmental studies at the Competitive Enterprise Institute.

It's Devolution Time

Modern environmental policy developed in the 1970s, when environmental protection became a national political concern. Beginning in 1969, Congress enacted a series of sweeping federal statutes—including the *National Environmental Policy Act* (1969), the Clean Air Act (1970), the Clean Water Act (1972), the Endangered Species Act (1973), and the Safe Drinking Water Act (1974)—to regulate environmental quality at the national level.

More recently, however, concerns have increased about the ability of a national, centralized regulatory structure to address environmental problems that are largely local and regional in nature. According to the United States Advisory Commission on Intergovernmental Relations, "federal rules and procedures governing decision-making for protecting the environment often are complex, conflicting, difficult to apply, adversarial, costly, inflexible and uncertain." As a result, many are calling for a new environmental federalism that would return substantial environmental policy-making responsibility to the states.

When the first-generation federal environmental statutes were enacted, relatively little was known about environmental policy. Research and analysis was necessary to identify all but the most obvious problems and solutions, so it seemed logical that centralizing expertise would allow for a sound setting of priorities.

Today, however, the states spend more money on environmental matters and employ more environmental bureaucrats than does the federal government. Research on environmental issues has proliferated and is easily available through research libraries and the Internet. Centralized expertise is no longer necessary, and can actually be counterproductive.

In addition, the local and regional nature of many environmental problems means that local knowledge and expertise are necessary to develop proper solutions. Such localized knowledge is inevitably beyond the reach of even the most intrepid federal regulators. One-size-fits-all can very easily become one-size-fits-nobody.

The "race-to-the-bottom" argument is rather straightforward, and flawed. Faced with the prospect of competition from other states, it is said, states will lower their environmental standards to attract and retain corporate investment. But this argument assumes that any change to existing environmental standards or regulations that makes them less onerous and burdensome must necessarily come at the expense of environmental protection. That is clearly untrue.

Given that there is strong public support for environmental protection, it is just as likely that states will compete on both economic *and* environmental grounds. Indeed, that process has already begun. It is not uncommon for states to exceed federal regulatory requirements when there is a particularly acute environmental concern. Moreover, many states are seeking to create business-friendly environments through administrative reforms that will not compromise environmental protection.

Some fear that there are "spillover" problems, requiring continued federal involvement in environmental policy. But the mere existence of such problems does not necessarily call for a centralized regulatory bureaucracy in Washington, D.C. There are other means of addressing such problems—compacts, regional authorities, and common law nuisance actions among them—that do not require Carol Browner's involvement.

Remember that interstate pollution problems, particularly those that are national in scope, are still the exception, not the norm. Most environmental problems are local or regional, not national. Houston's failure to meet the National Ambient Air Quality Standard for ozone does not affect Baton Rouge, let alone Philadelphia. Drinking water systems serve the local communities in which they are based. Superfund sites attract media attention, but rarely, if ever, result in interstate contamination of groundwater.

> *The states spend more money on environmental matters and employ more environmental bureaucrats than does the federal government.*

The public's broad support for environmental protection is often confused with public support for existing policies, in particular, and for an extensive federal role in environmental policy more generally. Yet when voters are asked which level of government they would prefer to direct environmental policy, they almost invariably choose state and local governments over the federal government.

A substantial number of Americans believe that there is nothing incompatible with the devolution of power and environmental protection. It is time for federal policy-makers to show them that they are right.

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Cleaning Up Superfund
Dr. Winston Porter outlines how much of the Superfund program can be turned over to willing and able states. (Reason Foundation, September 1995, 17 pp.)

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If It Itches, Scratch It!

Conrad Meier

Guest columnist Conrad F. Meier is a health policy advisor for The Heartland Institute and former state chairman of the health insurance committee for the National Association of Life Underwriters.

My Uncle Herman, a German emigré, taught me valuable lessons about life and liberty while I worked on his farm during the summers of my youth. He told me itching skin was a sign of something bugging you. If it crawls on you, smack it; if you can't see it, scratch it, he counseled.

In 1988, something happened to our Medicare system that bugged me then as it does today: the federal government started taking control of senior citizens' health care. Since I lacked the means (though not the desire) to smack Congress, I started scratching . . . I began writing about health care issues. Letters to my congressmen became letters to the editor, and then full-fledged policy analyses.

> *Anyone younger than 65 can freely contract for private medical services . . . but those over 65 may not.*

The 1988 event that prompted all this scratching was passage of the Catastrophic Health Care Reform Act, an odious piece of legislation that would have shifted a significant portion of the Medicare premium expense onto senior citizens. Though the federal government had intruded in their health care decision-making before, after passage of this law senior citizens began to experience an itch that needed scratching. And scratch they did. The law was repealed in 1989.

Sad to say, the itch is back worse than ever.

This time, senior citizens' health care reform was deceitfully buried in the massive balanced budget bill. The little-known provision establishes a health care system in which anyone younger than 65 can freely contract for private medical services . . . but those over 65 may not.

Knowing that it would be hugely unpopular to bar seniors from spending their own money in their own way, the politicians called it something other than Medicare reform, and they put the onus of compliance on doctors.

Here's how the new law can be expected to play out, in thousands of doctor's offices across the country:

We senior citizens will go to our usual doctor, who accepts Medicare-eligible patients, and request a service for which Medicare does not pay. In itself, that doesn't pose a problem . . . we'll just pay for it ourselves, like we did last year.

But there's the rub . . . I mean, itch. Under the new law, *our doctors cannot provide for us services not covered by Medicare*—even if we're willing to pay for the service out-of-pocket, or if we carry private insurance to cover such gaps in our Medicare coverage. Any doctor who tries and gets caught will be blackballed for two years, forbidden during that period from seeking reimbursement for Medicare-approved services he provides to any of his patients.

This is exactly how Canada killed private medicine. The country never passed an outright law barring its citizens from spending their own money on medical services not provided by the government-run system. But over time, Canadian doctors who opted out of government care were unable to attract enough patients willing to forgo the government entitlement. Those physicians either reluctantly agreed to socialized medicine or migrated to the United States. In the end, Canadian citizens suffered most.

Here in the U.S., a handful of Congressmen have offered up a weak salve. Their bills, H.R. 2497 and S. 1194, provide that nothing "shall prohibit a Medicare beneficiary from entering into a private contract *if the Secretary [of Health] has been provided with the minimum information* to avoid payment under part A or part B."

The reporting requirement is rationalized as a defense against fraud. But Medicare fraud is wholly unrelated to a patient's right to contract privately for health care. If doctors double-dip, charging both patient and Medicare for the same claim, they are not only foolish, but criminally liable.

Medicare beneficiaries receive a copy of the Medicare payment form and know when their doctor has been paid twice. Informed and vigilant patients are the best cure for Medicare fraud—a fact recently recognized by the Health and Human Services Department, which has awarded $2 million to 12 advocacy groups to train seniors how to detect fraudulent Medicare practices.

The real reason for restricting senior citizens' access to health care outside the Medicare system has nothing to do with Medicare fraud, and everything to do with the federal government's desire to impose cradle-to-grave government control over health care.

This is no mere bug bite . . . it's a major itch we've all got to start scratching.

Available on ***PolicyFax***

AMA's 96-97 Medicare Repair Proposal
Proposes expanding consumer choice, realigning benefits, Medical Savings Accounts, and deregulation. (American Medical Association, January 1997, 6 pp.)

Call 312/377-3000
Request document #3254601 (6 pp.)

Law

Laura Schoellkopf

Laura Schoellkopf, a senior at Georgetown University, is an intern at the Washington, DC-based Institute for Justice.

Trumping Property Rights

You know we live in frightening times when a children's board game shows more respect for constitutionally guaranteed rights than does our government.

Sound far-fetched? Just contrast the rules that Parker Brothers has set for its Monopoly board game—a game based on the development of Atlantic City—versus the State of New Jersey's approach to the same undertaking.

In both Monopoly and reality, the closer a piece of Atlantic City property is to the coveted Boardwalk, the more expensive it is. (A decades-old New Jersey rule permits casinos to be developed in the block-wide band between Pacific Avenue and the Boardwalk. That law dramatically increased the value of and competition for such property.)

As Monopoly players jockey for board supremacy, they must follow a few simple rules: First, if you land on a property before anyone else does, and if you have the financial wherewithal to purchase it, it's yours. Second, you must pay the market price. Third, another player may take your property only through negotiation—not by force. The price is set in private negotiations between one private owner and another. No omnipotent power oversees the game, favoring one player over another.

Those simple rules were essentially the U.S. law of the land since the country's founding. So fundamental is the right to own property that it is explicitly enshrined in the U.S. Constitution and in all but one state constitution . . . as well as in the Ten Commandments. "Thou shall not steal," after all, recognizes exclusive ownership.

> *There's nothing worse in Monopoly than losing to someone who doesn't play by the rules.*

But across the U.S. and especially in Atlantic City, something sinister has happened to this once-cherished right. In the rush to develop its gambling entertainment industry, New Jersey created the Casino Reinvestment Development Authority (CRDA), a government agency dedicated to casino development. CRDA was given the power of eminent domain—the ability of the government to condemn an individual's property for some "public use."

At one time, public use was limited to such projects as public roads or utilities, but that era has long since passed. With the blessing of the New Jersey legislature and the complicity of the courts, CRDA now includes privately owned casinos and related projects in its definition of public use.

Consider the case of Donald Trump who, with CRDA's help, plans to raze a widow's only home, a 30-year-old family-owned Italian restaurant, and a gold shop—all so he can construct a limousine parking lot for his privately owned hotel/casino. Unfortunately for the current landowners, who have limited political power, the real-life game of Atlantic City development does not play by Monopoly rules.

Today in Atlantic City, it does not matter that the homeowner, restaurant, and gold merchant landed on their property first. The Donald wants their Boardwalk to go with his Park Place, so CRDA is now taking their property and will transfer ownership to Trump at a fraction of market value. The mom-and-pop shops do not pass go. They do not collect $200.

Among those who are suffering from this unholy collusion between developers, local governments, and state agencies—off-the-board scheming that would never be tolerated by Monopoly players—are Peter Banin and his brother. A few months after they paid $500,000 to purchase their building for a gold shop, CRDA offered them $174,000 in a take-it-or-leave-it proposition.

Clare and Vincent Sabatini stand to lose their family business of 33 years, a Pacific Avenue restaurant that put four kids through school. The CRDA has offered them $700,000 for their property, a price the Sabatinis say would not even begin to cover the legal fees and start-up costs for a new restaurant.

When government agencies are afforded such power, an individual citizen's property rights are rendered meaningless. Furthermore, when the government blatantly ignores the public necessity test before it resorts to eminent domain on behalf of a project, it flouts constitutional safeguards against the excesses of government power. That CRDA can claim with a straight face that a casino parking lot—let alone a casino—constitutes a public necessity, demonstrates the frightening extent to which the government is willing to stretch the powers of eminent domain.

There's nothing worse in Monopoly than losing to someone who doesn't play by the rules. And when real lives—not just play money—are at stake, it's all the more important that the game be played by fair and simple rules . . . and that no one be permitted to tilt the board in one player's favor.

Available on *PolicyFax*

Land Rights: Why Do They Matter?
Bruce Yandle offers a useful overview of the political and intellectual roots of the modern property rights movement. (Political Economy Research Center, 1995, 3 pp.)

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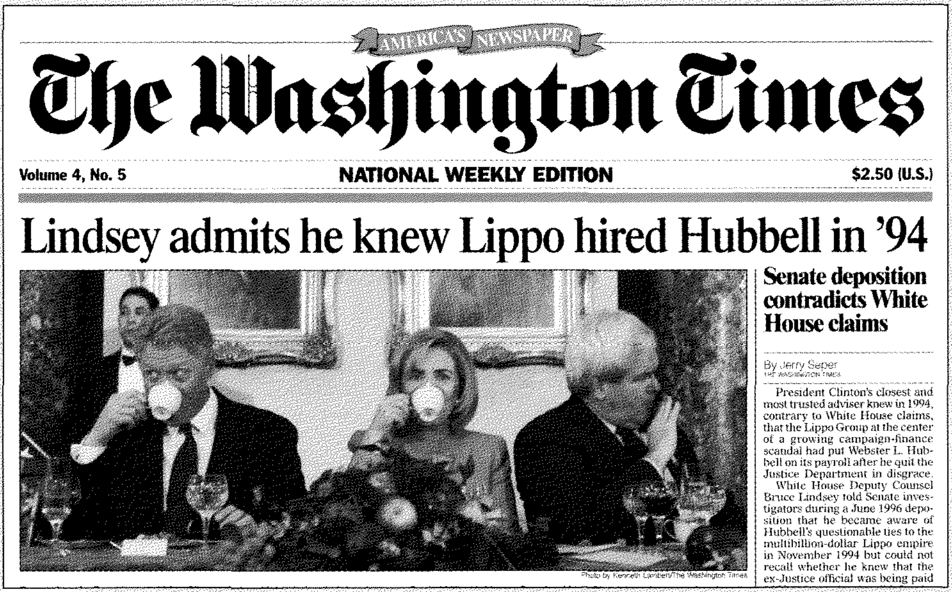

AMERICA'S NEWSPAPER

The Washington Times

Volume 4, No. 5 NATIONAL WEEKLY EDITION $2.50 (U.S.)

Lindsey admits he knew Lippo hired Hubbell in '94

Photo by Kenneth Lambert/The Washington Times

Senate deposition contradicts White House claims

By Jerry Seper
THE WASHINGTON TIMES

President Clinton's closest and most trusted adviser knew in 1994, contrary to White House claims, that the Lippo Group at the center of a growing campaign-finance scandal had put Webster L. Hubbell on its payroll after he quit the Justice Department in disgrace.

White House Deputy Counsel Bruce Lindsey told Senate investigators during a June 1996 deposition that he became aware of Hubbell's questionable ties to the multibillion-dollar Lippo empire in November 1994 but could not recall whether he knew that the ex-Justice official was being paid

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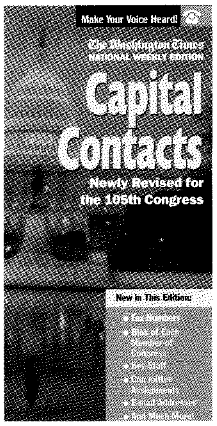

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ELECTRONIC REPRODUCTION PROHIBITED

Privatizing the Information Highway

William Eggers & Adrian Moore

Eggers directs the Privatization Center, and Moore is the Associate Director of Economic Studies, at the Reason Foundation.

Information technology (IT) has long been one of the most frequently outsourced business processes in the private sector. Xerox, DuPont, Kodak, McDonnell Douglas, and many other companies outsource their IT systems. After years of lagging the private sector, state governments are beginning to see IT as a top privatization target. While Pennsylvania and Connecticut lead the way in this field, Michigan, Texas, Arkansas, and Tennessee also have recently implemented or proposed outsourcing their IT functions.

Pennsylvania

In July 1997, the Commonwealth of Pennsylvania announced it would begin the process of consolidating and outsourcing all of its agency data centers. "The changes will bring significant cost savings to state taxpayers," reported Tom Pease, the state's Secretary of Administration. According to his estimates, outsourcing will save the state $127 million over the first five years of the plan and $25 million each year that follows.

The entire outsourcing process is expected to take two years. About 500 state employees could be displaced as a result of the change, though Pease notes that every effort will be made to find positions for those employees within state government or with the private sector.

Connecticut

Under the leadership of Governor John Rowland, Connecticut is attempting to do something far more ambitious than Pennsylvania: getting out of the IT business completely. The administration will soon decide whether to turn over all or merely some of its IT functions to the private sector.

In February 1997, the state issued an open-ended RFP seeking proposals for re-engineering and privatizing the state's computer systems. "We told the private sector, we want to get from this side of the river to the other . . . you show us how you would get us there," says Michael Barton, the governor's point man on the IT privatization.

The administration received 33 letters of intent from companies eager to bid on what potentially could be a $1 billion-plus contract. By May, four major bidders for the contract had emerged: IBM, EDS, Computer Sciences Corporation (CSC), and the Connecticut State Employees Association. Already, the bidders have invested millions of dollars in their proposals.

The winning proposal is expected to be chosen in the first quarter of 1998. Cost savings are expected to be in the range of $50 million a year.

The scope of the contract is unprecedented, encompassing eight areas of IT operations, including desktop, mainframe, midrange, and data centers. The private vendor will operate almost every aspect of IT in the state if everything goes according to plan. A vast range of state government processes—everything from getting a business license to getting a driver's license—will be affected by the change.

"Information technology is not a core function of government," says Barton, "so we're looking at getting out of that business." No other state has privatized its entire computer system. The only place Connecticut can look for a model is overseas: the government of South Australia privatized its entire IT operations in 1996.

Protections for current state employees will be written into the contract. The winning bidder will be required to hire all displaced employees for a minimum of one year. In a market in which there is a real shortage of skilled labor, the private companies have no problem with this provision. "If there are 1000 people now doing the work and the winning bidder only needs 700, they will simply find other opportunities for the employees within their organization," explains Barton.

Once the contract is signed, it must still be reviewed by the legislature. The Rowland administration is banking on the final contract being such a good deal for the state and its taxpayers that the Democratic-controlled legislature will eventually approve the contract.

> *After years of lagging the private sector, state governments are beginning to see IT as a top privatization target.*

A number of privatization lessons have emerged so far from the Connecticut experience. First, to succeed you need a chief executive who is unwavering in his commitment to the project. Second, don't show your plan too early, or the forces opposing the privatization will sabotage the process. Third, you have to be willing to stand up to the unions. Finally, you need a model you can use as a reference point. Connecticut will soon provide such a model to other states.

Available on **PolicyFax**

Privatization '97: Public Sector Overview
Excerpted from Reason Foundation's most recent annual privatization report, offering detailed descriptions of privatization initiatives at the federal, state, and local levels.

Call 312/377-3000
Request document #6500409

Regulation

John and Mary: A Regulatory Soap Opera

Murray Weidenbaum

Murray Weidenbaum is chairman of the Center for the Study of American Business.

The morning alarm rings. John and Mary start another day in our regulatory soap opera.

The alarm clock that awakens them is run by electricity provided by a utility regulated by the *Federal Energy Regulatory Commission* and by a state regulatory agency. John goes to the bathroom, where he uses a mouthwash and other products made by companies regulated by the *Food and Drug Administration*. He only mildly loses his temper trying to open the bottle of aspirin with the child-proof cap required by the *Consumer Product Safety Commission*.

In the kitchen, Mary reaches for a box of cereal containing food processed by a firm subject to the regulations of the *U.S. Department of Agriculture* and required to label its product under rules of the *Federal Trade Commission*.

John, who is under doctor's orders to limit his calorie intake, uses an artificial sweetener in his coffee. Since the banning of cyclamates by the FDA, he has switched to saccharin, but he's worried because it too is on the FDA's proposed ban list. All this is doing his ulcer no good.

> *The regulatory soap opera plays continuously in every home and workplace in America . . . and we have little choice but to tune in.*

As John and Mary pull their car out of the garage, the seat belt buzzer goes off—courtesy of the *National Highway Traffic Safety Administration*. The car they are driving to work cost them more than they expected because it features a catalytic converter and other expensive devices stipulated by the *Environmental Protection Agency*. The car can use only unleaded gasoline—another government requirement. They drive at speeds regulated by state and municipal ordinances.

Mary enters the office where she works, located in a building whose construction was repeatedly delayed before it met the EPA's regulations and *state and local building codes*. She was hired after a suit filed by the *Equal Employment Opportunity Commission* had accused the firm of sex discrimination.

That morning, Mary provides information about the financial activities of her company to an investigator from the *Securities and Exchange Commission*. She also completes a variety of statistical forms for the *Bureau of the Census*.

In the personnel office, Mary learns that she has lost her retirement benefits. The small company by which she is employed recently terminated its pension plan because of the onerous requirements imposed by the *Internal Revenue Service* and the *Department of Labor* under the Employee Retirement Income Security Act (ERISA).

We catch up with John at the factory, where he works under conditions negotiated by his union, chosen, after a prolonged strike, in an election supervised by the *National Labor Relations Board*. The cumbersome equipment he currently uses was selected in order to meet the requirements of the *Occupational Safety and Health Administration*—which could return any day for another surprise inspection.

During their lunch hour, John and Mary negotiate for a mortgage on the house they are buying with financing from a savings bank, regulated by an agency of the *Treasury Department*. They request a guarantee subject to detailed regulations by the *Federal Housing Administration*. If they had had the time, they would also have liked to visit their commercial bank, regulated by the *Federal Reserve System* (or *Comptroller of the Currency*) to obtain a loan for the furniture they need. But the paperwork requirements—involving truth-in-lending, equal credit opportunity, and other credit regulations—will force them to come back the next day.

At home in the evening, John and Mary watch television, including advertising regulated by the *Federal Communications Commission*. Simultaneously, John is cleaning his shotgun, regulated by the *Alcohol, Tobacco, and Firearms Bureau*, while Mary lights a cigarette, whose package label is mandated by the *Surgeon General* and whose sale is regulated by FDA. Watching, they are barely aware that they, in turn, are being watched over almost continuously by an imposing number of government agencies.

This scenario is hypothetical. But each of these incidents occur daily in the lives of American citizens. Government regulation increasingly affects what we wear, what we eat, how we earn our daily living, what we can buy, and how we use the products that we own.

The regulatory soap opera plays continuously in every home and workplace in America . . . and we have little choice but to tune in.

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Regulation Kills
Reveals that regulation *indirectly* costs the American economy $31.1 billion and leads to some 60,200 premature deaths every year. (*Insight*, September 1997, 4 pp.)

Call 312/377-3000
Request document #7212125

Tax Burden Rises Again

Stephen Gold

Stephen Gold is associate director and director of communications of the Tax Foundation.

Congress' 1997 tax cut came too late to shield many American families from yet another annual rise in their total tax burden. According to a new study by Tax Foundation Senior Economist Claire M. Hintz, federal, state, and local taxes will claim 38.2 percent of the income of a median two-income family (earning $54,910), up from 37.3 percent in 1996. The median one-income family's tax burden is projected to be 35.6 percent of its income this year, up from 35.4 percent in 1996.

The new report reflects recent federal, state, and local adjustments to collection data from prior years.

The latest Tax Foundation analysis shows that the current level of taxes for the median two-income family is nearing the historic high-water mark established before the massive 1981 tax cuts. Taxes took a 38.9 percent bite out of the median two-income family's total budget in 1981.

Hintz's study—*Special Report* No. 74, "Tax Burden on American Families Rises Again"—confirms that with increased prosperity comes increased taxes. In terms of inflation-adjusted dollars, the $22,521 total tax burden that a median dual-earner family will bear this year will be the highest ever.

Much of the increase in recent years reflects the progressive nature of the present tax system. In addition, as a comparison of the accompanying charts demonstrates, two other tax trends are responsible for the jump in tax burden over recent decades: the upward trend in state and local taxation and the increase in the federal payroll tax used to fund social insurance programs:

- State and local taxes combined have, as a share of the family budget, grown roughly four percentage points from 1957 to 1997 (from 7.9 percent to 12.1 percent).

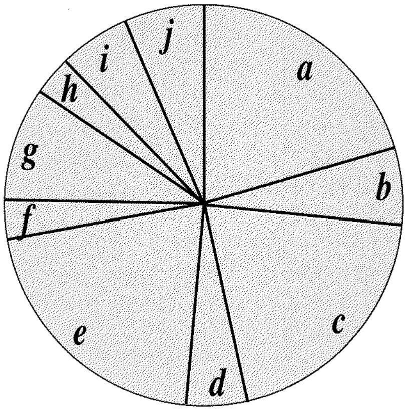
- Tucked within the federal tax portion of the pie charts, payroll taxes (employer and employee contributions combined) have also climbed sharply, from about 3 percent of the median two-earner income in the mid-1950s to about 13.7 percent last year.

To a large extent, this growth in tax burden has crowded out other important parts of the family budget, such as saving. In fact, taxes now claim a greater share of the median family's budget (38.2 percent) than food (8.9 percent), clothing (3.7 percent), housing (15.3 percent), and transportation (6.6 percent) combined.

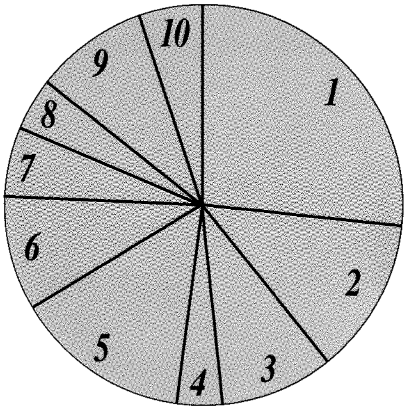
To calculate the total tax burden on the median one- and two-income families, Hintz calculated federal income taxes and payroll taxes directly off the family income. The burden of all other taxes (federal excise taxes and customs duties, the federal estate and gift tax, the federal corporate income tax; state and local income taxes, sales taxes, excise taxes, property taxes; and miscellaneous state and local levies and fees) were computed indirectly using formulas derived from national averages.

The Tax Foundation imputes to individuals the burden of taxes paid by business.

Representative Budget of Two-Income Family, 1957



a.	Federal Taxes	19.9%
b.	State and Local Taxes	7.9%
c.	Food	18.6%
d.	Clothing	6.9%
e.	House and Household	18.5%
f.	Medical Care	3.9%
g.	Transportation	8.5%
h.	Recreation	3.7%
i.	Other	5.9%
j.	Savings	6.2%



1.	Federal Taxes	26.1%
2.	State and Local Taxes	12.1%
3.	Food	8.9%
4.	Clothing	3.7%
5.	House and Household	15.3%
6.	Medical Care	10.4%
7.	Transportation	6.6%
8.	Recreation	4.9%
9.	Other	8.3%
10.	Savings	3.6%

Representative Budget of Two-Income Family, 1997

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Taxing Times
Warns that tax reform proponents are so busy fighting each other that they may miss their opportunity to defeat the bewildering income tax system. (*Reason*, August/September 1997, 3 pp.)

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February/March 1998

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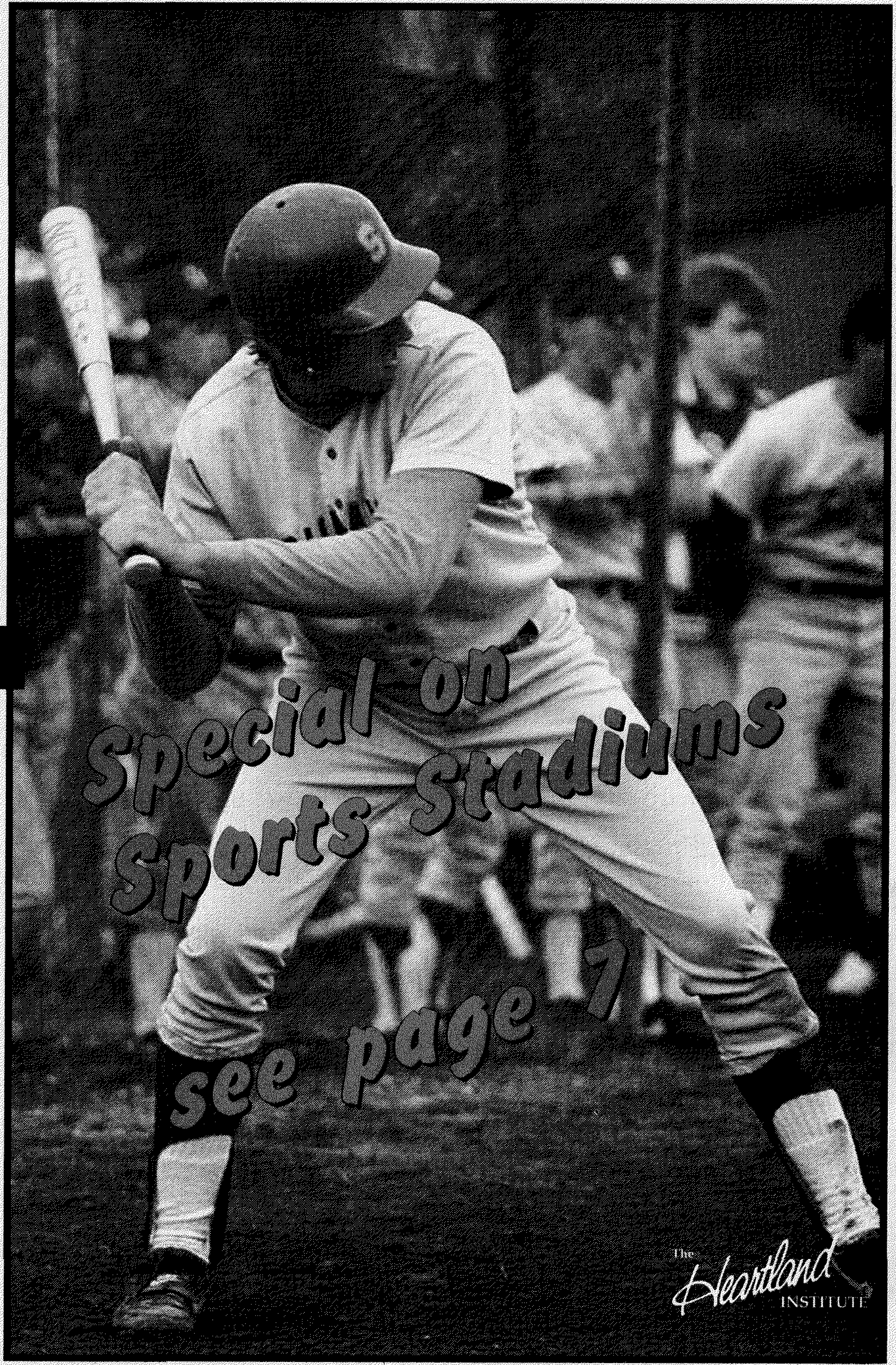
Special on Sports Stadiums
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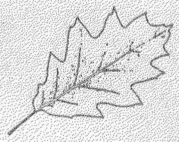

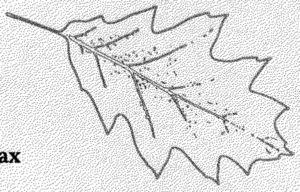

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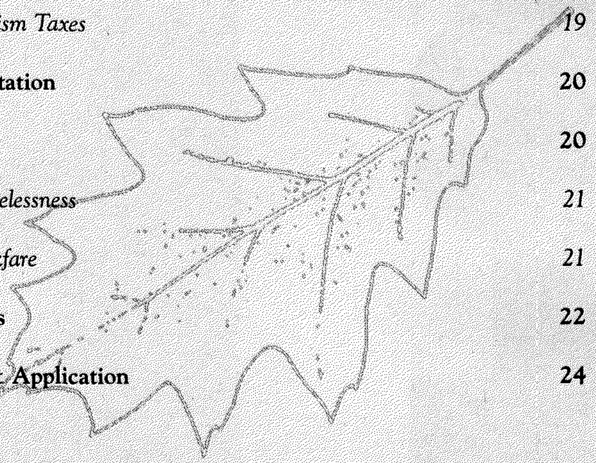

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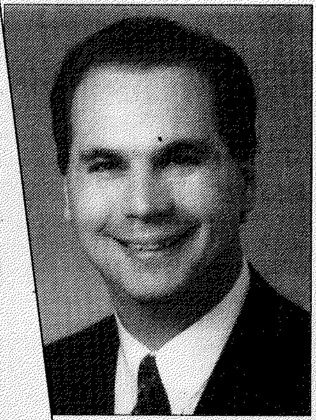

Sen. Raymond N. Haynes

Welcome to the *PolicyFax* Update
by Senator Raymond N. Haynes (California)

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Sincerely,

Ray Haynes

Raymond N. Haynes
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AGRICULTURE

The Coming Collapse of Western Europe's Farm Policies

by Dennis T. Avery

Europe's farm subsidy program is likely to collapse under pressure from the country's own farmers and the end of American farm support programs. This is good news for consumers, the world economy, and the environment: Increasing the agricultural productivity of European land will mean less clearing of tropical forests.

Outlook, September 1997
Hudson Institute
#0428401 (part 1, 10 pp.)
#0428402 (part 2, 12 pp.)

U.S. Agriculture: Challenges for the Twenty-First Century

by Mike A. Singer

Increasing food demand makes the outlook positive for agriculture in the 21st century. Clouds on agriculture's horizon, however, include surreptitious re-erection of trade barriers through "food safety" regulations, and the need to find more environmentally friendly farming practices.

Chicago Fed Letter, December 1997
Federal Reserve Bank of Chicago
#0425101 (4 pp.)

Testimony by Dennis Avery on the Future of Agriculture

Dennis T. Avery, director of the Hudson Institute's Center for Global Food Issues, projects that the Earth's growing population will cause demand for farm products to peak in 45 years. If farmers are to be up to the task, the productivity of world agriculture must be greatly improved. America's research capabilities and agricultural resources should allow us to lead the world toward that goal.

Global Food Quarterly, Spring 1997
Hudson Institute
#0470201 (4 pp.)

Emerging Foodborne Diseases

by S.F. Altekruse, M.L. Cohen, and D.L. Swerdlow

Foodborne diseases—those caused by such pathogens as *salmonella* and *E. coli*—have a substantial impact on public health. In the United States alone, report Dr. Altekruse and his colleagues, such diseases cause 9,000 deaths a year and affect between 6 million and 80 million persons. And their impact is growing, driven by the same forces as drive other infectious diseases: changes in demographics, the shift toward a global economy, and microbes' ability to adapt. Future advances in the control of foodborne diseases will come from such solutions as chlorination of animal drinking water, more sanitary animal slaughter and processing, and food irradiation.

Article, July/September 1997
Centers for Disease Control and Prevention
#0400417 (12 pp.)

CRIME

Fighting Back: Crime, Self-Defense, and the Right to Carry a Handgun

by Jeffrey R. Snyder

Attorney Snyder marks the 10th anniversary of Florida's ground-breaking concealed-carry gun law by reviewing the history and results of such laws in the U.S. Since 1987, 25 states have enacted laws requiring authorities to issue permits to carry concealed weapons to adult state residents who meet certain basic requirements. "The results are in, and they unequivocally show that (a) the number of persons currently in possession of permits to carry firearms ranges from 1 to 5 percent of the state's population; (b) criminals do not apply for permits; (c) permit holders do not take to settling either traffic disputes or arguments with guns; (d) shall-issue licensing states have almost no problems with violent criminality or inappropriate brandishing of firearms by permit holders; and (e) some permit holders have used their guns to defend themselves and others."

Policy Analysis, October 1997
Cato Institute
#1328413 (part 1, 16 pp.)
#1328414 (part 2, 16 pp.)
#1328415 (part 3, 17 pp.)
#1328414 (part 4, 15 pp.)

No Smoking Guns: Answering Objections to Right-to-Carry Laws

by Morgan O. Reynolds

Opponents of Right-to-Carry laws predicted bloodbaths in the streets and an increase in "impulsive" killings. Instead, concealed carry laws have actually reduced murders by 8.5 percent between 1977 and 1992.

Brief Analysis, November 1997
National Center for Policy Analysis
#1328302 (2 pp.)

Crime continued on page 6

Crime
continued from page 5

Boot Camps Fail to Pass Muster

by Misty Allen

Intended to relieve overcrowding at prisons and jails, boot camps in many states haven't served that purpose. Instead, judges are using the boot camps as an alternative to probation, thus *increasing* the overall number of incarcerated offenders in some states. Some of those states are now closing their boot camps as a result.

Governing, November 1997
Congressional Quarterly Inc.
#1367102 (2 pp.)

Crime Is Down Because Punishment Is Up

by Morgan O. Reynolds

From 1950 to 1970 the number of offenders imprisoned dropped from 5.3 to 1.3 for every 100 crimes. Crime rates soared . . . until punishments rose in the late 1980s. Now, further reductions in crime rates will depend less on "tough-on-crime" policies and more on efforts to build character and foster morality.

Brief Analysis, November 1997
National Center for Policy Analysis
#1367302 (2 pp.)

The Economic Impact of Prison Labor

by Morgan O. Reynolds

In 1885, three-quarters of all prisoners were working. Today, less than one in ten works. Prison labor affects both prisoners and the economy positively. Realistically, rates of participation in prison labor could be raised to as high as 50 percent.

Brief Analysis, November 1997
National Center for Policy Analysis
#1375302 (2 pp.)

ECONOMIC DEVELOPMENT

States and Economic Development

by Charles Bartsch and Troy Montoya

Comments positively on the growing state role in devising and promoting economic development activity. "State officials are trying to improve the development climate to allow innovation and entrepreneurship to flourish. They are trying to keep private investment dollars in their home state, and attract new money from abroad."

NE-MW Economic Review, September/October 1996
Northeast-Midwest Institute
#1901103 (6 pp.)

The Bad Side of Intergovernmental Competition: Tax Competition and the "Race to the Bottom"

by Jan K. Brueckner

A professor in the Institute of Government and Public Affairs at the University of Illinois-Urbana, Brueckner offers a liberal perspective on states' use of tax abatements and other incentives to attract and keep businesses. Such "bidding wars," Brueckner contends, have little effect on business location, because all states play the game and thus their packages are similar. The bidding wars do, however, tend to result in state taxes that are too low.

Illinois Municipal Review, November 1997
Illinois Municipal League
#1901104 (3 pp.)

Economic Development Activities: Overview of Eight Federal Programs

Are government incentives important to business? Do they stimulate new economic activity, or simply cause existing business activity to shift? GAO examined eight federal programs to determine the answers to these and other questions. As other such studies have shown, incentives appear to be low on the list of factors considered important by businesses. They are, however, more important than usual to capital-intensive enterprises. There is also some indication that incentives, when employed, favor new firms at the expense of existing firms—leaving regional economic activity largely unchanged overall.

Report, August 1997
General Accounting Office
#1925301 (summary part 1, 11 pp.)
#1925302 (summary part 2, 11 pp.)
#1925401 (part 1, 15 pp.)
#1925402 (part 2, 15 pp.)
#1925403 (part 3, 11 pp.)

The Forgotten Five: Important Economic Facts Missing in the News

Network reporters routinely ignore five important economic facts: (1) The wealthiest Americans pay most of the federal income taxes. (2) Government can harm the environment; free enterprise can help it. (3) Domestic social spending continues to soar. (4) Social Security, as currently structured, will bankrupt future generations. (5) Government health care mandates increase the number of uninsured Americans. This document provides supporting information for all five.

Special Report, November 1997
Media Research Center
#2000406 (7 pp.)

From Isolation to Engagement: The Case against Unilateral Sanctions

by Donald V. Vites

Vites, who is chairman and CEO of Caterpillar Inc., urges policy-makers to limit their use of unilateral trade sanctions—"our country's foreign policy weapon of choice." Since 1993, he notes, the U.S. has imposed more than 60 unilateral foreign policy sanctions covering 35 countries, restricting U.S. firms' access to 40 percent of the world's population. U.S. competitiveness in a global economy cannot be sustained under such a regime.

CEO Series, November 1997
Center for the Study of American Business
#1981106 (4 pp.)

Economic Development
continued on page 7

Sports Stadium Madness
~ A Special Report ~

Sports Stadium Madness: Why It Started, How to Stop It

by Joseph L. Bast

Taxpayers are paying some $500 million a year to build or subsidize stadiums and arenas for professional sports teams. Joseph L. Bast, president of The Heartland Institute, delivers a devastating critique of popular arguments for such subsidies, including the claims that stadiums create jobs and boost civic pride. After describing the destructive effects subsidies have on taxpayers, fans, and local businesses, he evaluates proposed remedies to "the madness," concluding that the only sure solution is for taxpayers and fans to work together to increase the number of teams owned directly by the fans. The NFL Green Bay Packers franchise is described as a "model" for such ownership.

Heartland Policy Study, February 1998
The Heartland Institute
#1976307 (executive summary, 4 pp.)
#1976435 (part 1, 15 pp.)
#1976436 (part 2, 15 pp.)
#1976437 (part 3, 16 pp.)

Indianapolis: A Major League Loser?

by Mark Rosentraub

More so than any other city in the country, Indianapolis has implemented an economic development plan for its downtown that emphasized amateur and professional sports. Rosentraub, associate dean in the School of Public and Environmental Affairs at Indiana University, evaluates the results of that strategy in *Major League Losers*, a book published in 1997 by Basic Books. This *Indiana Policy Review* article, excerpted from the book, summarizes Rosentraub's findings. "While there were important achievements that should be attributed to Indianapolis' sports strategy," he writes, "it seems fair to conclude there were no significant or substantial shifts in economic development. Simply put, the sports strategy did not achieve its objectives."

Indiana Policy Review, Winter 1998
Indiana Policy Review Foundation
#1976437 (4 pp.)

Stadiums, Professional Sports, and Economic Development: Assessing the Reality

by Robert A. Baade

This classic *Policy Study* from The Heartland Institute questions the assumption that public subsidies to professional sports franchises and stadiums make economic sense. Lake Forest College economist Baade looked at 48 cities and the metropolitan statistical areas (MSAs) around them over a 30-year period. Among his conclusions: "Of the 32 MSAs where there was a change in the number of stadiums or arenas ten years old or less, 27 MSAs showed no significant relationship between the presence of a stadium and real, trend-adjusted per-capita personal income growth. In all three of the remaining cases, the presence of a sports stadium was significantly *negative*."

Policy Study, April 1994
The Heartland Institute
#1976304 (executive summary, 2 pp.)
#1976420 (part 1, 10 pp.)
#1976421 (part 2, 13 pp.)
#1976422 (part 3, 5 pp.)
#1976423 (appendices, 12 pp.)

Should Congress Stop the Bidding War for Sports Franchises?

Should Congress Stop the Bidding War for Sports Franchises?

Over a dozen federal policy-makers, sports league commissioners, municipal authorities, and academics have told a Senate Judiciary subcommittee that Congress should act to stop the epidemic of professional sports franchise relocations. Their testimony was released by The Heartland Institute in August 1996 in four volumes, as *Heartland Policy Studies* #74-77. The entire document is available through *PolicyFax* in the following parts. Internet users can obtain the study by visiting Heartland's World Wide Web site at http://www.heartland.org.

Policy Study, August 1996
The Heartland Institute
#1976303 (executive summary, 4 pp.)

Volume 1: Federal Policy Makers

#1976406 Sen. Strom Thurmond (R-South Carolina) (4 pp.)
#1976407 Sen. Mike DeWine (R-Ohio) (2 pp.)
#1976408 Sen. John Glenn (D-Ohio) (4 pp.)
#1976409 Sen. Byron L. Dorgan (D-North Dakota) (2 pp.)
#1976410 Rep. Louis Stokes (D-Ohio) (2 pp.)
#1976411 Rep. Martin Hoke (R-Ohio) (4 pp.)

Volume 2: League Commissioners

#1976412 Commissioner Paul Tagliabue (National Football League) (12 pp.)
#1976413 Commissioner Gary Bettman (National Hockey League) (10 pp.)

Volume 3: Municipal Authorities

#1976414 Mayor Bob Lanier (Houston, Texas) (11 pp.)
#1976415 Mayor Michael R. White (Cleveland, Ohio) (13 pp.)
#1976416 Chairman John Moag, Jr. (Maryland Stadium Authority) (4 pp.)

Volume 4: Academics

#1976417 Gary R. Roberts (Tulane Law School) (10 pp.)
#1976418 Stephen F. Ross (University of Illinois) (11 pp.)
#1976419 Robert A. Baade (Lake Forest College) (9 pp.)

Sports Stadiums
continued on page 8

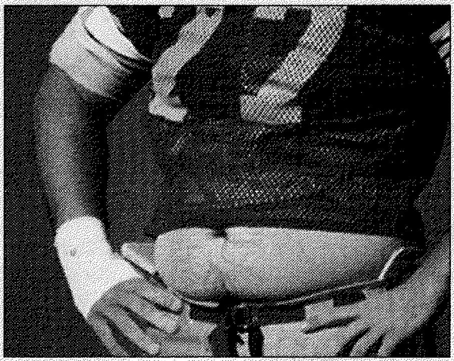
Sports Stadiums
continued from page 7

Sports Stadiums as "Wise Investments": An Evaluation

by Dean V. Baim

The wisdom of stadium investments, notes Pepperdine University economist Baim, can be evaluated at least in part by tools similar to those used to analyze other types of investment. In this paper, he calculates the *net accumulated value* for 14 stadiums—the difference between what was actually earned by the stadium and what would have been earned had the money been invested in an alternative investment vehicle. By this measure, Baim finds that only one facility—the privately built, owned, and operated Dodger Stadium—had a positive net accumulated value. Combined, the 14 stadiums had an aggregate net accumulated value of *negative* $139.3 million. This net loss of wealth to the host city's taxpayers ranged from $836,021 for Buffalo's War Memorial Stadium to $70.4 million for the New Orleans Superdome.

Policy Study, November 1990
The Heartland Institute
#1976308 (*executive summary, 2 pp.*)
#1976438 (*18 pp.*)
#1976439 (*tables and endnotes, 18 pp.*)



EDUCATION

When it Comes to Schools, the U.S. Lags Europe in Shrinking Government

by George W. Liebmann

Britain's Education Reform Act of 1988 provided for drastic decentralization of the country's schools, and similar efforts have been undertaken in Australia, New Zealand, Denmark, Ireland, and other countries. In the U.S. and Canada, however, "local citizens with real authority at the level of the individual public school are almost unheard of."

The American Enterprise, November/December 1997
American Enterprise Institute
#2166114 (*2 pp.*)

Comparing Spending and Performance in Florida's Public Schools and Colleges

by James D. Gwartney, Lora Holcombe, et al.

A detailed evaluation of spending and student achievement in Florida's education system finds, among other things, that the state spends more on education than it spends on any other program in the budget. K-12 schooling expenditures per pupil have increased faster than the national average, but Florida's graduation rate is well under the national average. Among the 21 states that generally require prospective college students to take the SAT, Florida ranked 16th in SAT scores in 1993. Among the authors' recommendations are educational choice, decentralization, alternative teacher certification, and merit pay for teachers.

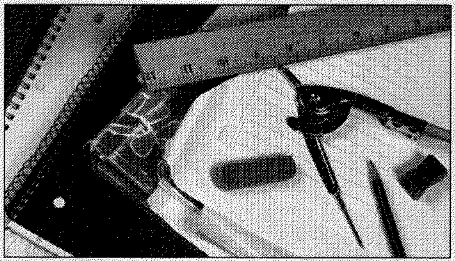
Backgrounder, June 1997
The James Madison Institute
#2105305 (*summary, 7 pp.*)
#2105402 (*part 1, 12 pp.*)
#2105403 (*part 2, 13 pp.*)

Reforming the Schools to Save the City, Part I: Toward a New Common School for Baltimore

by Denis P. Doyle et al.

Policy prescriptions aimed at halting urban decline—community policing, green spaces, and tax cuts, for example—will do no good unless city schools are saved, according to this report. Education analyst Doyle points to Baltimore, Maryland, as a good "bad example"—over 1,000 people move from that city every month. Baltimore's loss of 33,000 to 52,000 residents between 1990 and 1994 meant more than just a lower population. Lower income tax revenues and stagnating sales and property taxes created budget shortfalls that were made up with higher taxes on the working poor and middle-income families who remained behind. "Asking them to pay more for less will only hasten their departure," warns Doyle.

Issue Brief, August 1997
Calvert Institute for Policy Research
#2119403 (*part 1, 10 pp.*)
#2119404 (*part 2, 10 pp.*)
#2119405 (*part 3, 10 pp.*)
#2119406 (*part 4, 10 pp.*)



Reforming the Schools to Save the City, Part II: Survey Shows School Choice Would Prevent Middle-Class Flight from Baltimore

by Douglas P. Munro Ph.D.

Calvert Institute co-director and CEO Munro reports the results of a Calvert survey showing the potential of vouchers to prevent the flight of middle-income families from the city. For example, among the African-American Baltimore residents who left for the suburbs in 1996, an astounding 92 percent favored school choice. Eighty percent indicated they might have stayed in the city if better school options were available to them. Among fleeing white residents, 43 percent said they would have considered staying.

Issue Brief, August 1997
Calvert Institute for Policy Research
#2119407 (*part 1, 10 pp.*)
#2119408 (*part 2, 10 pp.*)
#2119409 (*part 3, 10 pp.*)
#2119410 (*part 4, 10 pp.*)
#2119411 (*part 5, 10 pp.*)

Choice

School Choice Experiments: What Have We Learned?

by Jonathan Marshall

Reviews the results of the Milwaukee Parental Choice Program, from John Witte's initial mixed evaluation to later studies by Princeton economist Cecilia Rouse and Harvard University researchers led by Jay Greene. Marshall, economics editor of the *San Francisco Chronicle*, summarizes the program's performance data as "ambiguous," but notes that student achievement is not the only reason parents want the opportunity to place their children in private schools. Increased freedom to choose and customer satisfaction are positive aspects of the Milwaukee program: 98 percent of parents involved in the program told Witte it should continue.

Jobs & Capital, Summer 1997
Milken Institute for Job & Capital Formation
#2184436 (6 pp.)

School Choice, the Law, and the Constitution: A Primer for Parents and Reformers

by Clint Bolick

Institute for Justice vice president Bolick examines a wide range of school choice options, summarizes the Supreme Court's choice-related rulings, offers rules of thumb for drafting school choice proposals, and warns against hazards built into state constitutions. Litigation is the inevitable price of success, he notes, reminding choice proponents that "no other reform promises to have such a constructive impact on children's lives or fulfill our country's sacred promise of equal educational opportunities."

Backgrounder, September 1997
The Heritage Foundation
#2184434 (9 pp.)

Justice and Education: A Progressive Call for Public Scholarships

In a rare liberal-conservative partnership, a broad coalition of progressive leaders from Evangelicals for Social Action joined prominent Republican conservative members of the Renewal Alliance in September to call for the immediate and widespread testing of tax-funded voucher programs. The group's declaration contends that such experimentation is a "matter of justice and equal opportunity" for the poorest of American families.

Declaration, September 1997
Evangelicals for Social Action
#2185202 (2 pp.)

Education Savings Accounts

by Joe Barnett

The tax law passed in the summer of 1997 allows a child's parents or others to set up an education savings account (ESA) to help pay tuition and other expenses at a public or private college. Congress also has before it a proposal that would increase the amount that can be contributed to an ESA, allow corporations to contribute to such accounts, and expand the uses of ESA funds to include expenses for students from kindergarten to 12th grade. The bill is a good one, as it increases parents' choices and thus encourages parental involvement.

Brief Analysis, October 1997
National Center for Policy Analysis
#2184315 (2 pp.)

How Members of Congress Practice School Choice

by Nina H. Shokraii

A survey conducted by The Heritage Foundation in the summer of 1997 discovered that 34.4 percent of U.S. Representatives and 50 percent of U.S. Senators with children who are school-age or older currently send or have sent at least one of their children to private school. Nationally, only 14.1 percent of school-age children attend private schools.

FYI, September 1997
The Heritage Foundation
#2165413 (6 pp.)

Parents' Choice Newsletter

Citizens for Educational Freedom, the nation's oldest and largest membership organization dedicated to equal justice in education, makes the current issue of its bimonthly newsletter available through *PolicyFax*. The November/December 1997 issue features a cover article on the response of African-American leaders to Senator Edward M. Kennedy's comment that those who support vouchers for students in the District's failing schools are "plantation masters."

Newsletter, November/December 1997
Citizens for Educational Freedom
#2184205 (4 pp.)

Early Childhood

School Achievement, Early Intervention, and Special Education: New Evidence from the Chicago Longitudinal Study

by Arthur J. Reynolds with Barbara Wolfe

Since 1986, the Chicago Longitudinal Study (CLS) has been evaluating the progress of children enrolled in the Child-Parent Centers, an early childhood intervention program launched in low-income Chicago neighborhoods in 1967. Reynolds and Wolfe find significant successes from the program, offset in some students by changing schools often or being held back. Special education, however, tends not to work nearly as well. "Rather than continue to spend large sums of money on [special education] programs, we should evaluate which programs and program elements work best, and for which children."

Focus, Summer/Fall 1997
University of Wisconsin-Madison
Institute for Research on Poverty
#2164101 (4 pp.)

The State of Early Childhood Intervention: Effectiveness, Myths and Realities, New Directions

by Arthur J. Reynolds, Emily Mann, et al.

A useful survey article that tracks the history of early childhood intervention programs from the creation of Project Head Start in 1965. Most of the available research comes from evaluations of "model programs," rather than large-scale public-service interventions, making suspect the positive results attributed to such programs. The authors conclude that not very much is known about the effectiveness of these programs—and they recommend that evaluation and research activities command at least 2 percent of the budget of any such program to make effective analysis possible.

Focus, Summer/Fall 1997
University of Wisconsin-Madison
Institute for Research on Poverty
#2164102 (7 pp.)

Standards

State English Standards: An Appraisal of English Language-Arts/Reading Standards in 28 States

by Sandra Stotsky

Stotsky, research associate at the Harvard Graduate School of Education and Boston University School of Education, sets forth criteria for judging the quality of a state's standards for the English language arts and reading, and then evaluates the 28 current state English standards based on those criteria. She notes that "a large number of states have mostly unmeasurable or barely measurable standards," and warns that "creating unmeasurable standards is a way to make standards virtually toothless." Of the 28 states, just five are given reasonably high marks.

Report, July 1997
Thomas B. Fordham Foundation
#2113603 (part 1, 13 pp.)
#2113604 (part 2, 13 pp.)
#2113605 (part 3, 10 pp.)

Sample Items for Virginia Standards of Learning Field Test 1997

The state of Virginia contracted with Harcourt Brace Educational Measurement to develop new tests for 3rd-, 5th-, and 8th-graders, and high school seniors. The new tests—sample questions from which are available in this document through *PolicyFax*—will be first administered in the spring of 1998. In the 2003-2004 school year, high school students will be required to pass a majority of the new state exams in order to get their diplomas.

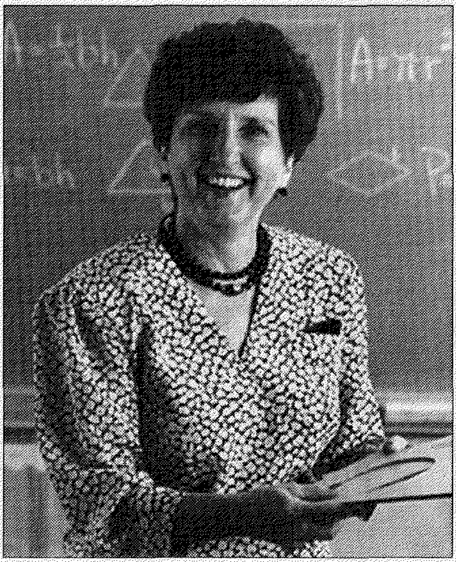
Test, 1997
Virginia Department of Education
#2182601 (15 pp.)

Teachers

SuperStar High School Teachers Program

Pages from a recent Teaching Company catalog, describing a series of videotapes that bring the best high school teachers in the country to the VCR of any student who wants to learn. The tapes address "How to Become a Superstar Student," math, algebra, geometry, chemistry, and history.

Catalog, 1997
The Teaching Company
#2113502 (8 pp.)



The Milwaukee Public Schools' Teacher Union Contract: Its History, Content, and Impact on Education

by Howard L. Fuller, George A. Mitchell, and Michael E. Hartmann

Fuller, former Milwaukee Schools Superintendent, and his colleagues find that collective bargaining of teacher contracts in the Milwaukee Public Schools has had a negative impact on student achievement. The complexity of the contract concentrates power and authority in the hands of a "small number of largely anonymous people," undermining teacher morale and job satisfaction and making it all-but-impossible for school staff to develop in their institutions an atmosphere of high expectations and cooperation.

Report, October 1997
Institute for the Transformation of Learning
#2180304 (summary, 12 pp.)

Deregulating Teacher Training in Wisconsin

by Mark C. Schug Ph.D. and Richard D. Western Ph.D.

Schug and Western, professors at the University of Wisconsin-Milwaukee, call the state's present system of teacher licensure and university-based training "a costly, outmoded, and unreliable" way to secure high-quality teachers for the state's K-12 schools. They recommend simplifying the licensure system and enabling K-12 school districts to recruit, hire, and train their own teachers. Teacher trainees would be accepted into an apprenticeship program after completing a degree course from an accredited college or university and clearing a criminal background check.

Report, June 1997
Wisconsin Policy Research Institute
#2180431 (part 1, 12 pp.)
#2180432 (part 2, 13 pp.)

Visit Our New Web Site!
http://www.heartland.org

EMPLOYMENT

Pension Liberation: A Proactive Solution for the Nation's Public Pension Systems

by Peter J. Ferrara

Private-sector enrollment in defined contribution pension plans has increased by 300 percent, but public-sector participation in such plans is up only 10 percent. States should follow Michigan's example and make defined contribution plans more broadly available, as they offer improved benefits for workers and lower costs for taxpayers than other government pension programs.

The State Factor, August 1997
American Legislative Exchange Council
#2266402 (19 pp.)

Restoring Work Incentives for Older Americans

by Alan Reynolds

Reynolds, director of economic research for Hudson Institute, warns that the U.S. economy is about to suffer from chronic shortages of willing workers. One way to address the shrinking American workforce will be to change federal policies that discourage older workers from remaining in the workforce. Social Security and Medicare earnings limits and tax penalties, for example, subject the country's most experienced workers to marginal tax rates as high as 67 percent. Reynolds recommends treating Social Security benefits like IRA accounts for tax purposes; providing larger benefits for each year beyond age 65 that a worker does not begin to collect benefits; eliminating the earnings test; and allowing workers to negotiate age-specific compensation packages.

Outlook, October 1997
Hudson Institute
#2270401 (16 pp.)

New York's Million Missing Jobs

by Steven G. Craig and D. Andrew Austin

When looking at the ratio of jobs to residents, New York has moved from 20 percent above the average eastern city to 20 percent below—an imputed loss of 1 million jobs. The drain is caused by a bloated tax structure that leaves New Yorkers paying tax rates three times those of comparable cities.

City Journal, Autumn 1997
The Manhattan Institute
#2228103 (9 pp.)

ENVIRONMENT

Center for Risk Management Newsletter

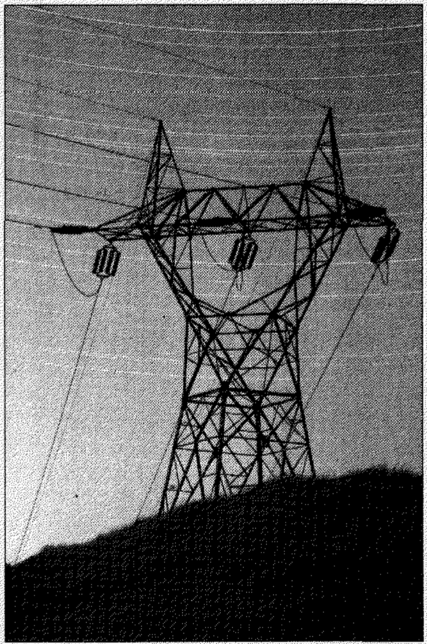
This issue of the quarterly newsletter of Resources for the Future summarizes research on such topics as FDA regulation of food, drugs, and medical devices; environmental policy in developed countries; and international environmental assistance programs. The cover essay introduces the notion of "e-part"—electronic participation, or ways to use the Internet to foster public participation in policy-making and other arenas.

Newsletter, Fall 1997
Resources for the Future
#2313701 (11 pp.)

Electromagnetic Fields: No Evidence of Threat

According to a committee of the National Academy of Science's National Research Council, "No clear, convincing evidence exists to show that residential exposures to electric and magnetic fields (EMFs) are a threat to human health. . . . After examining more than 500 studies spanning 17 years of research, the committee says there is no conclusive evidence that electromagnetic fields play a role in the development of cancer, reproductive and developmental abnormalities, or learning and behavioral problems."

Article, December 1996
Consumers' Research
#2320102 (3 pp.)



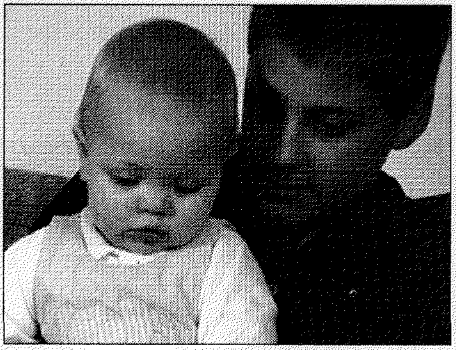
Virginia's Free-Market Environmentalist

by Greg Fossedal and John Shanahan

A profile of Becky Norton Dunlop, who is Secretary of Natural Resources for the State of Virginia. Her approach to cleaning up the state's environment focuses on *cooperating* with, rather than antagonizing, business. Her methods are controversial, but her results are not. Under Dunlop, for example, Virginia has dramatically cut the number of days each summer that its most polluted areas—Richmond, North Virginia, and Hampton Roads—exceed federal ozone standards.

Policy Review, January/February 1998
The Heritage Foundation
#2317112 (3 pp.)

New research on environment topics are reviewed in every issue of ***Environment News***, a monthly newspaper published by The Heartland Institute. For subscription information and a free sample copy, call 312/377-4000.



Divorce Reform: An Idea Whose Time Is Coming

by David M. Wagner

Ten years ago, divorce law seemed frozen in a no-fault, pro-divorce position. Today, however, "the momentum is toward reducing our high divorce rate, providing more security to spouses and children, and restoring to marrying couples the one freedom that the no-fault revolution took away—the freedom to make a binding commitment."

Family Policy, September 1997
Family Research Council
#2432404 (8 pp.)

Day Care: Children vs. Government

by David R. Henderson

President Clinton is quite mistaken in calling the current daycare market "dysfunctional." Worse still, his proposals to correct a situation that doesn't need much correcting are likely to make matters worse. Today, government regulations are more often than not the cause of whatever impediments do exist to affordable, safe child care.

Brief Analysis, November 1997
National Center for Policy Analysis
#2413301 (2 pp.)

The Advancing Nanny State: Why the Government Should Stay Out of Child Care

by Darcy Olsen

The Cato Institute's entitlements policy analyst warns that "current attempts to create an atmosphere of crisis about America's child care capabilities are largely the product of fact-free analysis." She reports that 96 percent of parents are already satisfied with their current child care arrangements; that child care fees have not changed in real terms since the late 1970s; and that the number of child care providers has kept pace with the demand for child care. The creativity of the marketplace, responding to parents' unique child care needs, should not be replaced with a rigid set of national standards that cannot possibly serve parents as well.

Policy Analysis, October 1997
Cato Institute
#2413401 (part 1, 11 pp.)
#2413402 (part 2, 11 pp.)
#2413403 (part 3, 11 pp.)

The Impact of Indian Casino Gambling on Metropolitan Green Bay

by Daniel J. Alesch Ph.D.

The fourth in a series of Wisconsin Policy Research Institute studies on Indian casino gambling in Wisconsin, this report examines the local effects of the largest Native American casino in the state. Alesch, a professor of public and environmental affairs at the University of Wisconsin-Green Bay, finds that the Oneida Casino in Green Bay brings substantial economic gains to the city: It is the largest employer in the metropolitan area, and it is investing significantly in economic development in the community. Tribal welfare rates have been cut dramatically. On the down side, however, are the increased compulsive gambling and other social problems that have resulted and are not being effectively addressed.

Report, September 1997
Wisconsin Policy Research Institute
#0828409 (part 1, 11 pp.)
#0828410 (part 2, 13 pp.)
#0828411 (part 3, 14 pp.)

Affirmative Action Can't Be Mended

by Walter E. Williams

"Even if affirmative action was not a violation of justice and fair play, was not a zero-sum game, [and] was not racially polarizing"—all claims that economist Williams brilliantly defends in this essay—"it is a poor cover-up for the real work that needs to be done." "While every vestige of racial discrimination has not been eliminated in our society," he continues, "current social discrimination cannot begin to explain all that affirmative action proponents purport it explains. Rather than focusing our attention on discrimination, a higher payoff can be realized by focusing on real factors such as fraudulent education, family disintegration, and hostile economic climates in black neighborhoods."

Cato Journal, Spring/Summer 1997
Cato Institute
#1272102 (6 pp.)

Executive Summary The Heartland Institute

No. 85 — February 23, 1998

Sports Stadium Madness

Why It Started ❖ How To Stop It

Overview

Taxpayer subsidies to professional sports teams amount to some $500 million a year. The decision to subsidize a team is driven by competition among cities for a limited number of teams, league policies that reward relocation, and lobbying by special interest groups. The solution is for fans and taxpayers to campaign for nonprofit ownership of teams, a model pioneered by the NFL Green Bay Packers in 1923.

1. The U.S. is in the grip of a massive taxpayer-financed spending spree on sports stadiums.

Nationally, subsidies to professional sports facilities cost taxpayers some $500 million a year. More than $7 billion will be spent on new facilities by the year 2006, with most of it coming from public sources. Communities that are hard-pressed to keep their schools open or police on the beat are nevertheless entering into agreements to spend hundreds of millions of dollars to bid away a professional sports team from another city.

Sports stadiums are subsidized in many ways: construction and ownership by a government agency, construction and operating grants paid to private owners or developers, state and local tax abatements, and by the use of federal tax-exempt bonds to finance construction. A typical sports facility costs local taxpayers more than $10 million a year. Competition among cities for professional sport franchises has dramatically lowered rent payments from teams, often to zero, and teams routinely claim all revenues from parking and concessions.

> "The economic benefits of sports facilities are *de minimus*."
>
> The Brookings Institution

2. The net economic benefit of professional sports for a host city is usually negligible, and may even be negative.

According to The Brookings Institution, "a new sports facility has an extremely small (perhaps even negative) effect on overall economic activity and employment. No recent facility appears to have earned anything approaching a reasonable return on investment. No recent facility has been self-financing in terms of its impact on net tax revenues. . . . [T]he economic benefits of sports facilities are *de minimus*."

Sports economist Robert Baade at Lake Forest College studied 48 metropolitan statistical areas (MSAs) over a 30-year period, and found "of the 32 MSAs where there was a change in the number of sports teams, 30 MSAs showed no significant relationship between the presence of the teams and real, trend-adjusted, per-capita personal income growth. In the remaining two cases, the presence of sports teams was significantly positive once (in Indianapolis) and significantly negative once (in Baltimore)."

3. Three reasons why professional sports fails to produce net economic benefits for host communities.

- **Opportunity cost:** The true cost of using a resource is the value of the next-highest-valued alternative use of that resource, or its "opportunity cost." The alternatives to investing in a stadium or sports franchise include a new park, an industrial park or community college, or money to hire more police, firefighters, or teachers. In many cases, those alternative uses would produce more value than a new stadium.

- **Shifting current spending:** Most of the money spent at a sports stadium or arena would have been spent anyway at some other entertainment venue, such as a local theater, bowling alley, night club, or health club. Because they play so frequently, baseball and basketball teams rarely attract a significant portion of their audience from outside the metropolitan area. Football games attract fans from greater distances, but football teams host just eight regular season home games a year.

- **Subsidies leave the community:** Much of a stadium's subsidy goes directly into the pockets of team owners by raising the re-sale value of their teams. This money is unlikely to be reinvested in the community. Players seldom live for extended periods of time in the communities in which they work, and when they leave, their savings and spending go with them.

4. The "intangible" or non-economic benefits of professional sports do not justify public subsidies.

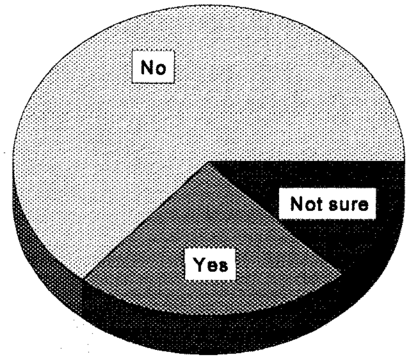
Having a professional sports franchise in town gives fans something to talk about at work and home, a place to go for wholesome family entertainment, and a certain amount of pride in one's hometown. However, those "intangible" benefits must be weighed against similar benefits that would have been created if the money were spent on something else. New schools, better police protection, or a thriving downtown business district all would have a positive effect on the community's image and its residents' self-esteem.

The sense of pride and identity that may come from hosting a professional sports franchise may only be temporary. Today's proud community may experience a deep sense of failure and abandonment when its team repeatedly loses or threatens to move. Football fans in Cleveland experienced this first-hand when the NFL Browns moved to Baltimore. Fan reactions included bomb threats against the owner and angry taunting of players during their final games in Cleveland.

5. Taxpayers don't want to subsidize stadiums.

Polls show that up to 80 percent of Americans oppose public subsidies to sports. Responding to a national survey of one thousand adults, 64 percent said tax dollars should never be used to build a professional sports facility, while 13 percent were not sure. Some 56 percent thought government agencies should sell existing arenas to the highest bidder.

Voters Don't Support Stadium Subsidies



"Should tax dollars ever be used to build a professional sports facility?"

Source: Rasmussen Research, 1997.

6. The real reasons we subsidize sports.

- The number of professional teams is kept below the number of cities that could support a team, thereby forcing cities to bid against one another for the privilege of hosting a team. In plain language, there are too many cities chasing too few teams.
- Most sports leagues require that most revenue sources be shared, to some degree, with the other franchises, but every league allows its teams to keep all the non-ticket revenue generated by the stadium or arena. A new stadium with more skyboxes, luxury suites, on-site restaurants, and other revenue-generating features enables a team owner to raise $30 million a year or more. Owners can reap huge financial gains by relocating.
- With millions of dollars in contracts and control over thousands of jobs at stake, pro-subsidy forces can justify the time and money required to stay organized year after year, long after their grassroots opponents have worn themselves out. Besides the team owners and players, "rent seekers" in the subsidy game include bond houses, politically connected construction contractors, labor unions, newspaper reporters, editors, and publishers, and politicians.

7. Five reasons why subsidies to professional sports should be discouraged.

- **Diversion of funds:** Stadium subsidies divert funding from more important public services, such as crime prevention, road building, and schools.
- **Subsidies are unfair to taxpayers:** As former Houston Mayor Bob Lanier puts it, "the average working person is asked to put a tax on their home, or pay sales or some other consumer tax, to build luxury boxes in which they cannot afford to sit." This is playing Robin Hood in reverse: Using government's taxing authority to take from the poor and give to the rich.
- **Subsidies are unfair to other businesses:** No other industry is given access to public funds as readily as are professional sports teams, yet other businesses must compete with professional sports for labor, materials, and customers. The result is higher prices for needed inputs, and the need to spend more on advertising to attract the attention of customers.

- **Income inequality:** By fueling a bidding war among team owners for the elite athletes, taxpayer subsidies to professional sports have made the salaries of professional athletes much higher than they would be in a competitive and unsubsidized environment. Such enormous salaries lead to envy by adults and unrealistic career goals and expectations for young people.

- **Dead-weight loss to society:** No social value is produced when facilities that are still functional are torn down because they are "economically obsolete." Expensive investments in infrastructure are similarly being abandoned, only to be built anew across town or in some other city. This is make-work: no different in principle from digging and re-filling ditches.

8. Fans should unite with taxpayers, elected officials, and journalists to campaign for fan ownership of professional sports teams.

Until fans and taxpayers become the owners of professional sports teams, their interests will take a back seat to those of companies and individuals who profit each time a team relocates. Sports stadium madness can't be stopped by passing a law or passing the blame. Fans and taxpayers—the people who benefit and the people who pay—need to work together to protect their shared interests.

> Until fans and taxpayers become the owners of professional sports teams, their interests will take a back seat to those of companies and individuals who profit each time a team relocates.

The NFL Green Bay Packers, owned by a nonprofit corporation since 1928, offer a model of fan ownership at work. The franchise is the least-subsidized professional sports team in the country because its ownership by fans makes it unable to credibly threaten to relocate. The results have been good for the host city, the fans, and the team.

A key to the success of a campaign for fan ownership of professional sports teams will be the involvement of taxpayers, fan clubs, the media, and local elected officials. Fan ownership could serve their interests better than subsidies by ensuring that once a team is in the community, it is likely to stay. The opportunity to sell stock—even "souvenir stock" ala the Green Bay Packers— could give subsidy opponents the financial stake required to keep them organized year after year.

Making fan ownership a reality in cities across the country will require leadership and hard work by political leaders, journalists, business leaders, and fans. The effort involved in convincing the leagues to make the necessary policy changes, and then raising the funds necessary to purchase franchises from their current owners, may seem huge. But as one advocate of fan ownership has said, "There are more of us than there are of those rich owners who want to get richer by getting into our pockets again."

Based on *Heartland Policy Study* #85, "Sports Stadium Madness: Why It Started, How to Stop It," by Joseph L. Bast. Copies are available from the Heartland Institute for $10.00 each.

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Plain Independent: What the Amish Can Teach Other Americans about Reducing Reliance on Government

by Hannah Lapp

A "day-in-the-life" article follows an Amish family to gain a better understanding of how they sustain themselves independent of government programs. Amish congregations with a total population of about 150,000 are found in 22 states. What stands out most, writes Lapp, is their courage "and their faith in themselves, in the goodness of God, and in the ability of human beings to resolve problems among themselves rather than depending on distant legal channels."

The American Enterprise,
November/December 1997
American Enterprise Institute
#2800127 (4 pp.)

1995-96 Election Cycle Business & Association PAC Study

by Francis A. Schaeffer VI
and Ricardo Reyes

It comes as little surprise that the nation's more than 900 business PACs tend to give mostly to incumbents. Since the 1994 elections produced Republican majorities in Congress, Republicans now receive the lion's share of money that formerly went to Democrats. Support by both parties for some form of "campaign finance reform" could have been predicted—the one party wants to keep what it has, the other wants to get back what it used to have.

Report, November 1997
The Leadership Institute
#2815409 (17 pp.)

Congress Should End Government Contracts with Lobbyists and Political Consultants

by Kenneth R. Weinstein

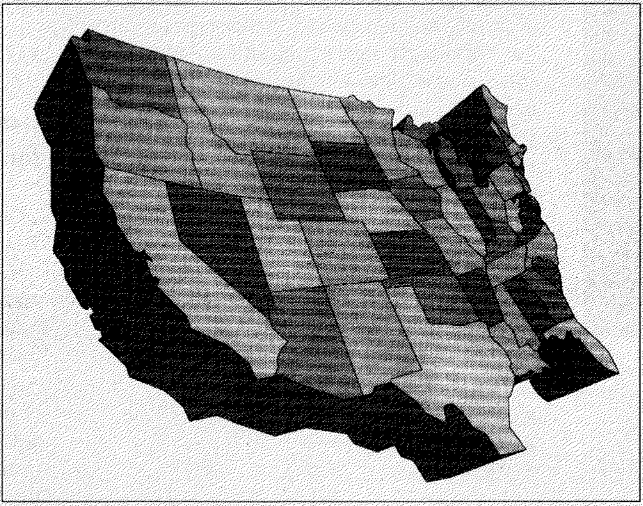
The Government Reform Project, which Weinstein heads, reveals unprecedented public relations contracting by the Clinton administration, raising not only questions of waste or possible illegality, but also serious conflict-of-interest concerns. While Congress outlawed federal grants to *nonprofit* lobbying groups, for-profit lobbyists continue to receive grants and contracts. This report includes an appendix that identifies several of the firms receiving suspect public relations and consulting contracts.

Government Integrity Project Report, November 1997
The Heritage Foundation
#2815411 (10 pp.)

Creative Solutions for Funding the Arts

by Mandy Rafool and Laura Loyacono

Recognizing that cuts are on the way in federal NEA funding and state general fund appropriations for the arts, policy-makers and arts advocates nationwide are seeking alternative sources of funding. This analysis reviews many such alternatives—among them endowment funds, bond issues, lotteries, and local option taxes earmarked for the arts—and offers case studies. Unfortunately, the authors give short-shrift to the notion that *private* funding for the arts might pick up the slack if government funding—and taxes—were cut.



Report, October 1995
National Conference of State Legislatures
#0800413 (part 1, 13 pp.)
#0800414 (part 2, 14 pp.)
#0800415 (part 3, 15 pp.)

State Constitutional Reforms: Recent Experiences

by Janice C. May

A host of constitutional reforms aimed at making state governments more responsive and effective are on the table in state legislatures across the country. Term limits and fiscal restraints, including supermajority requirements and, in a handful of states, popular vote requirements, are among the most popular. While fewer constitutional conventions and constitutional revision commissions have been called, citizen-proposed constitutional initiatives are on the rise, as are legislative referrals of constitutional amendments.

Madison Review, Fall 1977
The James Madison Institute
#4875402 (9 pp.)

How I Tamed the Government

by Bill Kauffman and Rich Miniter

Kauffman and Miniter interview Mayors Stephen Goldsmith (Indianapolis), John Norquist (Milwaukee), Bret Schundler (Jersey City), and Michael White (Cleveland) for their insights on how to reform local governments. The courage to take on unions representing teachers, police, and government employees seems to be a universal theme.

The American Enterprise,
November/December 1997
American Enterprise Institute
#2835101 (4 pp.)

Small Towns, Big Government

by Richard Miniter

Subtitled "local bureaucracies can be tyrannical too," this article demonstrates all too effectively how small cities across America "carry big regulatory sticks" and use them in arbitrary ways. Apartment bathtubs, decks, swing sets, air conditioners, parking garages, and home-based businesses are among the many targets of local tyrants.

The American Enterprise, November/December 1997
American Enterprise Institute
#2835102 (3 pp.)

Loved to Death: America's Unresolved Health-Care Crisis

by Michael J. Hurd

Hurd, a Maryland psychologist, details the many ways that America is headed down the same path to socialized medicine that Canada took decades ago. "In its zeal to 'compassionately' meet all of our health-care demands," he warns, "the government is loving us to death." He considers the protest of Canadian doctors against that country's system to be the only hope for America as well.
The Freeman, November 1997
Foundation for Economic Education
#3212110 (3 pp.)

Congress and Consumers Beware: The Patient's Bill of Rights Is a Bill of Goods

by Carrie J. Gavora

The President's Advisory Commission on Consumer Protection and Quality in the Health Care Industry is scheduled to issue its "patient's bill of rights" for health care consumers by the end of March. Members of Congress should not be fooled into thinking that the end result will be anything but a prescription for increased federal government interference in the health care industry and consumers' decision-making. Congress must stand strong, and challenge the notion that government is capable of regulating quality and access to health care.
FYI, November 1997
The Heritage Foundation
#3266101 (5 pp.)

Initiative 673: A Return to Unmanaged Care

Managed care plans have been successful in bringing medical cost increases into line with general inflation. But efforts are underway to mandate that "any willing provider" be included in a managed care network, and such mandates can be expected to undo the successes that have been achieved.
Policy Brief, October 1997
Washington Research Council
#3276301 (3 pp.)

Replace FDA Regulation of Medical Devices with Third-Party Certification

by Noel D. Campbell

Because the FDA is the only body that can approve a medical device for use by the public, life-saving devices are kept off the market too long—and thousands of people die as a result. Although FDA reforms recently passed by Congress direct the agency to accredit individuals and companies to carry out third-party safety and efficacy review of some simple devices, the law doesn't go far enough. Underwriters Laboratories Inc.—a private firm that has been certifying product safety for more than 100 years—offers a model for third-party certification of even dangerous medical devices. Unlike the FDA, Campbell writes, private "certifying organizations, anxious to maintain their reputation as guardians of safety and efficacy, will protect consumers."
Policy Analysis, November 1997
Cato Institute
#3220401 (part 1, 14 pp.)
#3220402 (part 2, 16 pp.)
#3220403 (part 3, 18 pp.)

Marijuana: Useful Medicine or Dangerous Drug?

by Kathleen Fackelmann

After an eight-member advisory panel of the National Institute on Drug Abuse (a branch of the National Institutes of Health) spent two days reviewing the scientific evidence on the medical use of marijuana, it concluded that marijuana does show promise as a treatment for certain conditions. But it's tough to get good scientific research on the issue—the drug companies can't patent marijuana, so there's no incentive for them to conduct clinical trials, and government opposition makes it all but impossible to fund and implement sound research.
Article, May 1997
Consumers' Research
#3250105 (4 pp.)

Children's Health Care

What's the Deal with Uninsured Kids?

by John Merline

The number of uninsured children has remained relatively constant over time—it is hardly the crisis that federal government officials make it out to be. Federal "solutions" to the "problem" will likely prove more costly than initial estimates . . . and they may be counterproductive. Already, expansion of the Medicaid program—a government "solution"—is probably causing people to drop their private insurance coverage, leading to uninsured children.
Essay, June 1997
Consumers' Research
#3236115 (4 pp.)

Best and Worst Ideas for Insuring Children

by Merrill Matthews Jr. and Kristin A. Becker

Expanding state Medicaid programs is the worst possible way to insure children, because making Medicaid bigger doesn't make it better—just more riddled with fraud and abuse. Providing private health insurance for kids at subsidized prices is a good idea, but the best would be to empower people to choose their own health coverage. Vouchers or refundable tax credits would make it easier for low-income families to choose the plan best suited to their children's needs.
Brief Analysis, October 1997
National Center for Policy Analysis
#3236312 (2 pp.)

Kidcare: Socialized Medicine through Government Schools

by Sue A. Blevins and SuYoung Min

Public schools already fail in the role of teaching reading and arithmetic. In fact, they can't even provide a physically safe environment for students. So why has the Clinton administration proposed running health care programs through the schools?
Regulation, Summer 1997
Cato Institute
#3213102 (3 pp.)

Children's Health Care
continued on page 15

Children's Health Care
continued from page 14

Medicare and Medicaid

Whence the Child Health Care "Crisis"?
by Benjamin Zycher

Politically appealing sound bites, rather than careful examination of the facts, led to the budget agreement's provision for billions of dollars in spending on child health care coverage. The House plan would cost $6,154 per newly insured child; the Senate plan, $2,824. Even the Senate plan is some 23 percent more costly than the $2,292 cost of insuring children privately.

Jobs & Capital, Summer 1997
Milken Institute for Job & Capital Formation
#3213102 (2 pp.)

Five Prescriptions for Children's Health
by Kristine Napier

For decades, private, community-based programs have been bridging the health-care gap for hundreds of thousands of uninsured children. Such approaches—several are described in this article—involve a level of personal care that simply cannot be matched by "Medicaid mills" and other federal programs.

Policy Review, September/October 1997
The Heritage Foundation
#3213103 (3 pp.)

Who's Afraid of Patient Choice?
by Merrill Matthews Jr.

Some Medicare patients privately contract with doctors by paying for certain services with their own money. The Health Care Financing Administration (HCFA), which administers the Medicare program, contends that private contracting is illegal—even though Congress has never outlawed contracting. Efforts are underway in Congress to clear up the confusion. This would be a good thing: In a country whose founding principle is liberty, there can be no doubt that seniors should be permitted to use their own money to purchase health care services from any provider they choose.

Brief Analysis, October 1997
National Center for Policy Analysis
#3273306 (2 pp.)

Solving the Medicaid Puzzle: Strategies for State Entitlement Reform
by John Hood

Medicaid has become the largest single funder of long-term care expenses in the United States, consuming some 19 percent of the average state budget. The program is rife with problems, high costs and poor quality of care among them. The key to effective, permanent reform of the system is to recognize that Medicaid is not one program, but a set of programs, with different goals and different problems. "Divide and conquer," Hood advises, is the way to approach Medicaid reform, and he recommends strategies for dealing with each of Medicaid's constituent groups: the uninsured poor, the disabled, poor children and adults, and the elderly.

Policy Study, October 1997
Reason Public Policy Institute
#3254304 (summary, 2 pp.)
#3254417 (parts 1-2, 14 pp.)
#3254418 (parts 3-4, 11 pp.)
#3254419 (part 5, 8 pp.)
#3254420 (parts 6-8, 18 pp.)

POLITICS

Meet the Press: A Crash Course in Candidate Media Training
by Kevin Geddings

Geddings, who is president of a Democratic political consulting firm, offers 12 pointers to help candidates make the most of a great free press opportunity. Among his tips: Smile often, speak slowly, use gestures (but don't force them), exaggerate "every move of your eyebrows, mouth and other facial muscles" by 25 percent. Prepare thoroughly, and remember that "few things matter more than brevity in a successful media appearance."

Article, October/November 1997
Campaigns & Elections
#6355103 (2 pp.)

The First 25 Steps Every Smart Candidate Should Take
by Ron Faucheux

A message, some money, an organization, and a mountain of preparation are the key elements in the arsenal of the prospective candidate for any political office.

Article, July 1997
Campaigns & Elections
#6335402 (7 pp.)

The Conservative March: A Long View
by Edwin J. Feulner Jr.

Conservatives should beware of overly theoretical and impersonal policy prescriptions. To win the hearts of voters, they are well advised to stick to Ronald Reagan's five simple words: family, work, neighborhood, freedom, and peace.

1997 State of Conservatism, March 1997
The Heritage Foundation
#6301103 (6 pp.)

The Coming Libertarian Age
by David Boaz

Growing global availability of information means that government regulation can't keep up with changes in the economy. A more limited government will be required for prosperity in the 21st century.

Policy Report, January/February 1997
Cato Institute
#6301101 (2 pp.)

The Mott Family of Foundations: Nurturing a Worldwide Movement of Liberal Activists

by Patrick Reilly

Charles Stewart Mott, a prominent businessman, philanthropist, and twice mayor of Flint, Michigan, "would find few of his own priorities reflected in the activities of his foundation today." As often happens, the family foundation has veered dramatically off the course set by its original donor. Mott's son Stewart, a left-wing activist and rebel against his father, is just one of many foundation trustees who have used the Mott fortune to support liberal groups and activists.

Foundation Watch, October 1997
Capital Research Center
#6413402 (8 pp.)

Foundations and Public Policy: A View from the States

by John Hood

The National Committee for Responsive Philanthropy (NCRP) contends that the increasing influence of conservative ideas in public policy today has happened because conservative foundations are "pouring" money into the movement. In its report, however, the NCRP conveniently ignored the vast sums of money distributed by the far-more-numerous left-wing foundations active at the state and local level.

Foundation Watch, November 1997
Capital Research Center
#6475101 (4 pp.)

PRIVATIZATION

Privatization on a Roll

by Adrian T. Moore

Excerpts the Reason Foundation's annual privatization report. Moore and his colleagues at Reason find that "the most immediate and lasting way to reduce the size of government and improve the efficiency of public services is to shift the responsibility for producing them from government bureaucrats to private managers." In 1996, privatizations around the globe reached an all-time high of $86 billion. In the United States, especially interesting privatization efforts took place in the realms of welfare and child welfare, education, prisons, emergency services, zoos, and airports.

The American Enterprise, November/December 1997
American Enterprise Institute
#6500301 (4 pp.)

Comments on H.R. 716, The Freedom from Government Competition Act

by L. Nye Stevens

H.R. 716 would require the federal government to perform its functions by procuring many goods and services from the private sector, formalizing executive branch policy already in place. While the Act is a step in the right direction, it is no substitute for the committed political leadership that is needed to promote privatization initiatives in every department and federal government agency.

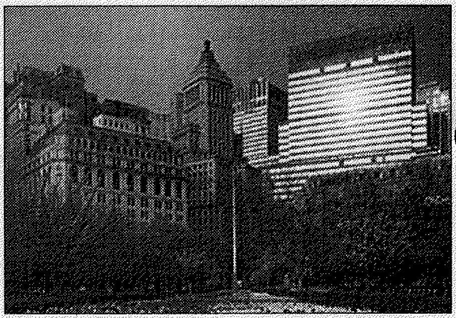
Testimony, September 1997
General Accounting Office
#6528201 (15 pp.)

Social Service Privatization: Expansion Poses Challenges in Ensuring Accountability for Program Results

by Jane L. Ross

A team of researchers led by Ross, who is director of income security issues for the Health, Education, and Human Services Division of the U.S. General Accounting Office, reviews efforts by state and local government to privatize federally funded social services: child care, child welfare, child support enforcement, and the Temporary Assistance for Needy Families block grant. Since 1990, more than half of the state and local governments contacted by the team had increased their contracting for services, and that trend appears likely to continue. States and localities reported difficulties developing methods to monitor program results, however, and this is an area that federal government officials should be prepared to assist with.

Report, October 1997
U.S. General Accounting Office
#6578401 (part 1, 16 pp.)
#6578402 (part 2, 16 pp.)



The "Dos and Don'ts" of Competitive Contracting: Cleveland, Cincinnati, and Indianapolis

by Jeff Williams

Cities across the country are using competitive bidding to improve the quality of public services and cut costs. Indianapolis alone currently saves some $30 million a year through competitive bidding. In Ohio, Cleveland saves about $3 million a year by bidding-out services. Other Ohio cities need to follow their lead, opening services to the marketplace in order to remain competitive.

Perspective, October 1997
The Buckeye Institute for Public Policy Solutions
#6532312 (3 pp.)

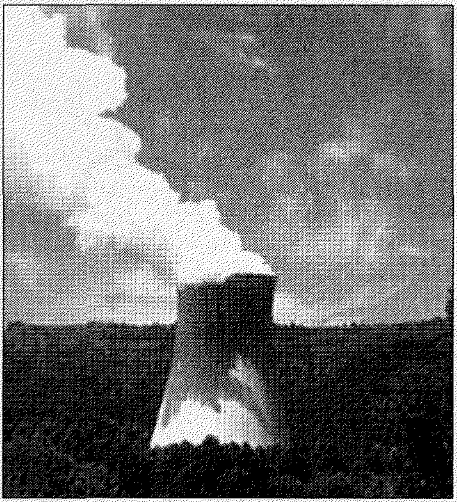
The Dirty Dozen: The Twelve Worst Regulations in America

edited by John C. Shanahan

In his introduction to this report, former Wisconsin senator Robert W. Kasten Jr. notes that Americans spend about $700 billion every year on regulation—some $6,860 per household. Too many regulations, he notes, make us poorer, threaten our health, impede our freedom, reduce our ability to provide for our families, and threaten our safety and quality of life. Each chapter of the report addresses a different regulation, including CAFE, EPA's proposed air quality standards, a new FDA rule that allows human experiments on patients without their consent, and the Individuals with Disabilities Education Act.

Report, November 1997
Alexis de Tocqueville Institution
#7212419 (part 1, 10 pp.)
#7212420 (part 2, 11 pp.)

Utility Deregulation



Electricity Competition Is Good for Consumers

by Clyde Wayne Crews Jr.

Likening the current movement toward electric utility deregulation to deregulation in the telecommunications industry, Crews contends that "the greatest risk for consumers now is that the industry is not being deregulated fast enough." He identifies and addresses four fallacies about deregulation: that large power users will be the only ones to benefit; that reliability will suffer; that utility companies' environmental and social programs will be abandoned as they try to cut costs; and that stranded cost recovery is necessary.

Article, May 1997
Consumers' Research
#7275125 (5 pp.)

The ABCs of Stranded Costs

by Michael K. Block, Robert Franciosi,
and Melinda L. Ogle

This is a useful guide to what the authors term the "only one stumbling mountain" on the road to competition in the electric industry: stranded costs. They explain what is meant by the term, what the arguments are for and against letting utilities recover them, and what would be the least damaging way to allow stranded cost recovery. "Although stranded costs are a formidable problem" that must be addressed, the authors write, "they should not stand in the way of a rapid move to a competitive market. . . . Delay only means consumers continue to pay stranded costs without the benefits of choice for a good while longer."

Primer, 1997
Goldwater Institute
#7275442 (15 pp.)

When Sparks Fly

by Ken Ibold

Describes the experiences of eight states—California, Maine, Montana, Nevada, New Hampshire, Oklahoma, Pennsylvania, and Rhode Island—that are leading the charge toward retail competition in the electric industry. In a nutshell, the trailblazers have found deregulation to be "a mixed bag."

Article, November/December 1997
Plants Sites & Parks
#7275443 (9 pp.)

Ensuring Reliability in a Competitive Environment

by Jim Johnston

In December 1996, The Heartland Institute and Illinois Citizens for a Sound Economy cohosted a day-long conference on the best way to deregulate the electric utility industry. Jim Johnston, a director and policy analyst for The Heartland Institute, warned conference guests that ratepayers would be unlikely to see major price reductions following a forced vertical disaggregation of the industry, and that reliability of service would be compromised by "a huge unregulated increase in power transmission."

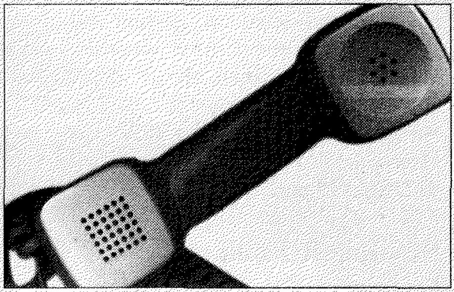
Excerpt, April 1997
The Heartland Institute
#7275203 (14 pp.)

Small Business, Big Government, and American Prosperity

by Ralph Reiland

Deputy Treasury Secretary Lawrence Summers, formerly a Harvard economics professor, declared in 1997 that "When it comes to cutting the estate tax, there is no case other than selfishness." Reiland points out that small business owners and family farmers who've worked double shifts to build up their enterprises have a different view. "For them, the 55 percent federal estate tax represents a major obstacle to the survival of a business from one generation to the next." He notes that the country's economic competitiveness depends on adopting policies that allow today's small businesses to grow into tomorrow's successful large businesses.

The American Enterprise, July/August 1997
American Enterprise Institute
#8022103 (3 pp.)



Telecommunications Taxation in the States

by the Telecommunications and Information Technology Task Force

To avoid strangling the telecommunications industry, the old "phone company" methods of taxation must be discarded. Municipalities must be prevented from using "right of way" and exclusive franchising restrictions to interfere with the industry's growth.

The State Factor, October 1997
American Legislative Exchange Council
#8021405 (11 pp.)

Income/Flat Tax

CPR for Tax Reform

by William A. Niskanen, Grover Norquist, and Grace-Marie Arnett

Niskanen, chairman of the Cato Institute, notes that "the tax revolt that began 20 years ago has so far been a failure." Though top marginal rates have fallen steeply, overall levels of taxation are as high as ever. Norquist, president of Americans for Tax Reform, contends that the tax revolt is gathering national momentum again. Debates over the flat-rate income tax and national retail sales tax have returned the tax issue to prominence in the public debate. Arnett, formerly executive director of the Tax Reform Commission, says that the future of tax reform will be based on "a vision of America that places the individual—not the government—at the center of society."

Policy Review, September/October 1997
The Heritage Foundation
#8000406 (6 pp.)

A Citizens' Audit of the Internal Revenue Service

by Congressman Peter Hoekstra

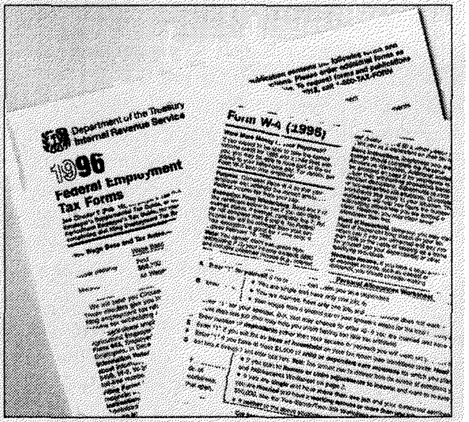
Eight billion forms sent out per year. Fines totaling $46,806 for a 10-cent underpayment. Enough paperwork to circle the Earth 36 times. It's all here in black and white on Congressman Hoekstra's Form 1040 not-so-EZ for 1997.

Brochure, October 1997
Congressman Peter Hoekstra
#8076506 (6 pp.)

CSE's One-Minute Challenge: Flat Tax

Is the flat-rate income tax a good idea? Take just one minute to do your 1997 taxes on this proposed replacement for the dreaded 1040, and see for yourself!

Questionnaire, 1995
Citizens for a Sound Economy
#8024310 (4 pp.)



Department of the Treasury
Internal Revenue Service
1996
Federal Employment Tax Forms

Form W-4 (1998)

A Citizen's Guide to the Flat Tax: What it Does, How it Works

CSE documents the impact a 17 percent flat-rate income tax would have on a single worker just starting his career; a prosperous dual-income family; and a retired couple.

Guide, no date
Citizens for a Sound Economy
#8024420 (16 pp.)

Time for a Tea Party?

by Paul Varnell

The recently passed and highly touted tax credit for children does exactly nothing for gays. So where were the gay organizations during that debate? Varnell recommends that the leadership of gay organizations consider developing an expertise in economic advocacy—not just political advocacy—so that they can better serve the gay community.

Essay, August 1997
Windy City Times
#8036125 (1 p.)

National Retail Sales Tax

H.R. 2001: The Schaefer/Tauzin National Retail Sales Tax Act of '97

Though proponents of the income tax don't like to admit it, the tax is far more regressive than most people realize. This document provides answers to questions frequently asked about the national retail sales tax, showing how the tax would be more fair to the poor and less obtrusive to the middle-income than the current income tax system.
Brochure, 1997
Congress of the United States
#8076503 (10 pp.)
#8076504 (frequently asked questions, 12 pp.)

The Lugar Plan to End the Income Tax

Senator Richard G. Lugar proposes a national sales tax to replace the income tax. To avoid any possibility that the income tax would not be rescinded if his sales tax proposal were adopted, Lugar forthrightly proposes repeal of the 16th Amendment.
Brochure, 1997
Senator Richard G. Lugar
#8076505 (4 pp.)

Property Tax

Fragments: Special Henry George Issue

The keystone of economist Henry George's economic policy was to finance government by "abolish(ing) taxes on all improvements, on all forms of wealth. All we have to do is to levy the tax only on the value of land, exclusive of the improvements." By taxing the unearned value of the land rather than the effort that goes into creating wealth, George was certain he could spur dramatic economic development.
Summer/Fall 1997
Fragments
#8064409 (12 pp.)

The Evidence for Land Value Taxation

by Steven B. Cord

Cord reviews the evidence for adopting Henry George's land-value taxation proposal. Several communities in Pennsylvania—including Pittsburgh and Harrisburg—have land-value taxation systems, as do Australia and New Zealand. Cord notes that land-value taxation has received the endorsement of a wide range of "urban land tax experts," as well as thinkers as varied as Ralph Nader and William Buckley.
Report, 1987
Center for the Study of Economics
#8064409 (part 1, 12 pp.)
#8064410 (part 2, 14 pp.)

44 Objections & Responses

by Steven Cord

Advocates of land-value taxation hear the same objections time and again; Cord summarizes those objections and offers brief responses to them. If land is taxed more than improvements (buildings), landowners would not be penalized for putting their sites to their highest and best use, and economic development would be encouraged. Moreover, taxing land values allows taxes on buildings and other things to be reduced, even abolished, promoting new construction and jobs.
Report, 1995
Center for the Study of Economics
#8064411 (11 pp.)

Social Security

How Is Privatized Social Security Working?

by Merrill Matthews Jr. Ph.D.

The experience of three Texas counties shows that a privatized social security system is not only possible, but would pay three times what the current system does. All Americans should be afforded this opportunity to dramatically improve their retirement finances.
Essay, March 1997
Consumers' Research
#8078112 (4 pp.)

The Need for Social Security Reform

by John W. Skorburg

The Social Security System is heading for *annual* deficits of about $1.3 trillion by the year 2040. Every solution that could actually fix the system involves adding private options and increasing individual choice.
Report, August 1997
American Farm Bureau Federation
#8078426 (10 pp.)

Testimony Submitted before the House Ways and Means Committee on the Future of Social Security

by the Honorable John Edward Porter

Even President Clinton has acknowledged that the Social Security system is in deep trouble and must be fixed. Congressman Porter's proposals would maintain current benefits and increase future benefits; transition costs should be manageable *without* tax increases.
Testimony, 1997
House Ways and Means Committee
#8078201 (7 pp.)

Tourism Taxes

Employment in the Travel & Tourism Industry

by Mandy Rafool and Laura Loyacono

The travel industry ranks as one of the top three employers in 32 states and the District of Columbia. In 1994, according to these staffers for the Arts and Tourism Program of the National Conference of State Legislatures, travel by domestic and international visitors generated 6.3 million jobs. The travel industry creates jobs faster than the rest of the economy, and most people employed in the industry earn high wages. Includes tables of data on travel-generated employment by state.
Travel & Tourism Report, March 1997
National Conference of State Legislatures
#7100401 (17 pp.)

State Tourism Taxes

by Mandy Rafool

Taxes on lodging, restaurants, rental cars, and entertainment generated about $21.4 billion for state and local governments in 1994. Every state levies lodging taxes at some level; restaurant taxes are levied in 19 states and the District of Columbia; rental car taxes are levied in 37 states and the District; and entertainment taxes are levied in 15 states. This report is most valuable for its tables of state and local tourism-related taxes.
Travel & Tourism Report, September 1997
National Conference of State Legislatures
#7100402 (part 1, 16 pp.)
#7100403 (part 2, 17 pp.)

TRANSPORTATION

ISTEA: A Poisonous Brew for American Cities

by Randal O'Toole

A bill renewing the Intermodal Surface Transportation Efficiency Act (ISTEA) is "the biggest pork barrel in the 105th Congress," according to O'Toole, who is executive director of the Thoreau Institute and an adjunct scholar at the Cato Institute. He notes that, with the decline in discretionary spending on other parts of the federal budget, members of Congress have swarmed to the committee that spends money from the highway trust fund. Rather than wrestle over how to slice up the pork among their states and districts, O'Toole calls on lawmakers to "get out of the transportation business" and "allow cities to focus on transportation, rather than the game of getting dollars from the U.S. Treasury."

Policy Analysis, November 1997
Cato Institute
#8100410 (part 1, 18 pp.)
#8100411 (part 2, 16 pp.)
#8100412 (part 3, 17 pp.)

How to Solve Our Highway Problems

by Gabriel Roth

Although the federal government does allow the private construction of toll roads, that isn't enough to address the challenges that lie ahead for the nation's highway system. The next step should be to devolve responsibility for managing the existing federal road system to state and local corporations, which would receive gas fees and tolls based on miles traveled.

Essay, June 1997
Consumers' Research
#8105132 (6 pp.)

65 MPH Speed Limit Is Saving Lives

by Charles Lave

Though doomsayers predicted a rise in traffic fatalities, the increase to 65 miles per hour saw fatalities *fall* by 0.7 percent. Among the likely explanations are better use of highway patrol resources—officers are focusing less on speeders and more on dangerous drivers—and reduction in speed variance between slower- and faster-moving traffic.

Essay, September 1997
Consumers' Research
#8105131 (1 p.)

Replacing Amtrak: A Blueprint for Sustainable Passenger Rail Service

by Joseph Vranich

Vranich, former president of the High Speed Rail Association, quotes Reason Foundation president Robert Poole's assessment of rail in America: "Trains are deeply rooted in the American experience, and if we are going to save them, we must get rid of Amtrak." Amtrak has a long history of misrepresentation, missed targets, and deficits. The vaunted "American Flyer" trains—due to debut shortly in the northeast—will be slower than fast Japanese trains of the 1970s. Vranich contends that the only route out of this morass is privatization. Commuter lines would continue to operate; regional bodies (for example, those in the Northeast corridor) could consolidate; and the market for the vintage rail travel experience could be expanded by profitable "land cruise" operations.

Policy Study, October 1997
Reason Public Policy Institute
#8172301 (release, 2 pp.)
#8172404 (part 1, 15 pp.)
#8172405 (part 2, 17 pp.)

WELFARE

Welfare "Cuts"?

by James L. Payne

The 1997 summer budget deal not only backpedaled on some of the '96 reforms (restoring welfare aid to immigrants, for instance, and softening efforts to hold down "disability" payments), but also launched new welfare programs, like the new $16 to $24 billion child health entitlement. The welfare industry supports 700,000 social workers, 420 schools of social work, thousands of special interest groups, and some 43 million recipients—and thus will be a very difficult nut to crack.

The American Enterprise, November/December 1997
American Enterprise Institute
#9236101 (4 pp.)

The Good News about Welfare Reform: Wisconsin's Success Story

by Governor Tommy Thompson and William J. Bennett

Not only has the Wisconsin welfare caseload dropped by 60 percent since state welfare reforms began in 1986, but child abuse and child poverty are down by 15 and 13 percent respectively. Welfare reform is more than just effective from a taxpayer's point of view: it represents *true* compassion for the poor.

Lecture, March 1997
The Heritage Foundation
#9275204 (18 pp.)

Killing with Kindness: New York City Welfare Industry Destroys Real Jobs

by Fred Siegel

Siegel contends that government in New York City has become an end in itself—between 1961 and 1971, government-owned hospitals in the city hired 4,000 additional employees but served 20 percent fewer patients. Over one-third of the city's workforce is employed by government, health care, and social services. "New Yorkers need to be reminded," Siegel concludes, "that theirs was a great commercial city before it was a welfare state."

Policy Review, September/October 1997
The Heritage Foundation
#9236403 (8 pp.)

Welfare
continued on page 21

Welfare
continued from page 20

Poverty 101: What Liberals and Conservatives Can Learn from Each Other
by David Kuo
Liberals must learn that "faith matters"—it has the potential to be a catalyst for radical change in people's lives. They also must learn to place more trust in the private sector, and to better appreciate the importance of work. Conservatives, on the other hand, must learn that government programs can do, and have done, good. They must not trust blindly in the private sector. And they need to admit that poverty in America is real.
The Brookings Review, Fall 1997
The Brookings Institution
#2409101 (3 pp.)

Judaism's War on Poverty
by David G. Dalin
A fascinating review of the centuries-old Jewish commitment, deeply rooted in religious tradition, to just and compassionate social policies. "Jewish liberals in particular," Dalin writes, "have enthusiastically embraced public-assistance programs and welfare benefits as an appropriate expression of the principle of *Tzedakah* (charity) that is so central to Jewish religious tradition." But Dalin contends that welfare state policies represent the antithesis of the principles of individual self-help and communal self-sufficiency that are the essence of the biblical concept of charity.
Policy Review, September/October 1997
The Heritage Foundation
#9265401 (5 pp.)

Homelessness

Pathways Off the Streets: Homeless People and Their Use of Resources
by Bradley R. Entner Wright
Wright hypothesizes that homeless people should be viewed as "rational actors, and homelessness as a residential state in which people are trying to do the best they can for themselves." He uses data from a two-year project in Alameda County, California to explore the use of resources—human capital, social welfare capital (government and private assistance programs), and social capital (family and other personal relationships)—by the homeless. Concluding that the homeless did, indeed, act rationally "by any standards," he warns against homeless advocacy that focuses on structural or personal-deficit explanations of homelessness.
Focus, Summer/Fall 1997
University of Wisconsin-Madison
Institute for Research on Poverty
#9232109 (5 pp.)

The Dynamics of Homelessness: A Longitudinal Study
by Yin-Ling Irene Wong and Irving Piliavin
The authors contend that studies of "homelessness" must recognize that there are distinct sub-groups in the homeless population. They note, for example, that effective strategies for reducing episodic homelessness among single women may be very different from those required to address chronic homelessness among single men.
Focus, Summer/Fall 1997
University of Wisconsin-Madison
Institute for Research on Poverty
#9232110 (2 pp.)

Workfare

Workforce Development and Welfare Reforms
Texas already allows state and local agencies a great deal of flexibility in how they administer welfare-to-work programs. But welfare-to-work could be strengthened further by a more rigorous "pay for performance" provision in the welfare statute, and a relaxation of federal barriers to employment training.
Research Report, September 1997
Texas Conservative Coalition
#9292401 (13 pp.)

Welfare Reform and the Employment Prospects of AFDC Recipients
by Alec R. Levenson, Elaine Reardon, and Stefanie R. Schmidt
Three Milken Institute economists warn that the skill levels of AFDC recipients make them poor prospects for anything other than low-paying jobs—employment that will be insufficient to lift single mothers and their children out of poverty. They are skeptical of the potential of basic skills training to improve the situation much, and recommend instead that AFDC recipients' income be augmented through cash or in-kind transfers.
Jobs & Capital, Summer 1997
Milken Institute for Job & Capital Formation
#9292402 (6 pp.)

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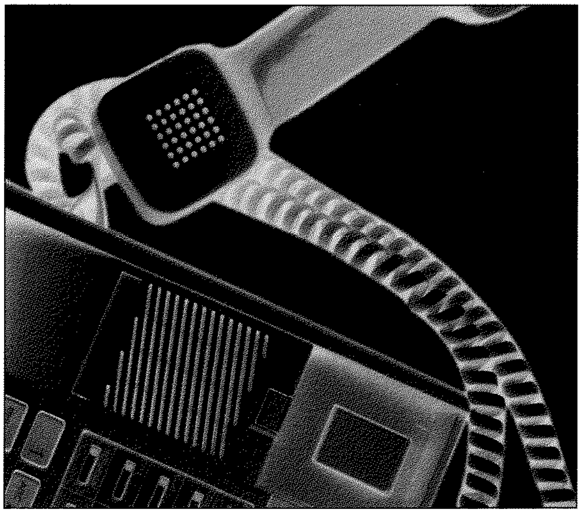

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Charity Tax Credits: Corrupting Compassion

Robert Rector

Robert Rector is a
welfare expert at
The Heritage Foundation.

When Marvin Olasky wrote *The Tragedy of American Compassion* (1992), he offered a vital and challenging idea: that the traditional wisdom of aiding the poor has been forgotten. Modern charity as practiced by both the government and the private nonprofit philanthropy is permissive and often destroys rather than aids the poor.

Since then, conservatives have tended to distort this robust idea into another theme that is more comfortable but false: Government welfare is largely bad and private-sector charity is largely good. This is simply untrue.

Although there are a few sound conservative organizations helping the poor, the bulk of nonprofit private charities serving them are more liberal and more permissive than their counterparts in government. Any criticism I have ever written about government welfare applies doubly to nonprofit charity.

The advocates of a charity tax credit are thus proposing to expand the most retrograde and corrupt part of the welfare system. They propose a trade-off: Reduce government welfare spending and re-channel money through the tax code to private nonprofit philanthropies.

In reality, it will not work that way. The philanthropies they seek to subsidize are nearly unanimous in their claim that the United States must spend more on the poor. If a charity tax credit is created, it will not replace government welfare, but will merely be added on top of the vast existing welfare system that already absorbs 5 percent of GNP.

Moreover, public-sector welfare has one important advantage over private charity: Government funds are rarely used to intervene in the political process. Not so for private philanthropy. Indeed, most liberal and moderate charities believe that the noblest deed they can perform on behalf of the poor is to lobby for greater government welfare spending and expanded state power. In a recent hearing before the House of Representatives, the chief lobbyist for Catholic Charities stated that, in the view of her organization, the best charity activity was voter registration!

Tax-credit proponents do call for a ban on the use of tax-subsidized charity funds for policy advocacy. But this ban has no chance of survival in the long term. Whenever similar charity tax bills have been introduced in Washington, the entire philanthropic industry has been mobilized to remove any ban on advocacy. Indeed, most bills deliberately include policy research and advocacy as a "service to the poor" worthy of subsidy.

Most of the liberal agenda, from civil rights to environmentalism, is already packaged as service to the poor. Under the tax-credit proposal, those seeking to raise taxes to expand the food-stamp program get a potent tax cut, while supporters of a balanced budget do not. Advocates of expanded welfare, Head Start, and a hike in the minimum wage get a tax break not available to advocates of Star Wars and the flat tax. Backers of affirmative action to help disadvantaged groups get a subsidy, but opponents of affirmative action do not. Virtually every liberal cause gets a subsidy while conservative ones do not, unless they twist their message severely in order to accommodate a left-leaning ideological litmus test.

The charity tax credit is a liberal fundraiser's dream: a potent tax break available primarily to those who have and advance liberal ideas. It will lead to a tax code that subsidizes liberal speech at the expense of conservative speech.

> *The bulk of nonprofit private charities serving the poor are more liberal and more permissive than their counterparts in government.*

Tax-credit proponents say they want to create a marketplace for charity, permitting individuals to choose where their monies go. In fact, they do neither. Their proposal is narrow and corrupt because it mimics the core premises of the War on Poverty. Their idea of "charity" bows in obeisance to the liberal icons of guilt, victim worship, envy, and indulgence. It is divorced from true benevolence. To mention one example among a thousand: tax-credit proponents would subsidize hospice care for the indigent terminally ill, but not donations for medical research to cure diseases. This is a very bad idea.

If we wish to strengthen civil society, reduce government, and combat moral deconstruction, we should consider enhanced tax relief for *all* philanthropic giving, not merely the narrow leftish aid to the "poor" envisioned by tax-credit proponents. Such an alternative would foster true benevolence, rather than a stale repeat of the War on Poverty.

❖

A longer version of this essay first appeared in the January/February 1998 issue of *Policy Review*, published by The Heritage Foundation.

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The Modern State as an Occasion of Sin
Although it may have been established with the best of intentions, the welfare state tempts both potential recipients and administrators to abuse the system. (The Heartland Institute, February 1996, 12 pp.)

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Gagging on Health Care Mandates

by Michael F. Cannon

In September, President Clinton told a union audience he was proud of his 1994 attempt to impose a government-run health care system on America—in effect, putting a government bureaucrat between every American and his or her doctor. He then told the audience how he intends to implement his failed health care takeover one piece at a time: "Maybe we can do it . . . a step at a time, until we eventually finish this."

The next few "steps" down the road to government-run health care include one sponsored by Iowa Republican Representative Greg Ganske in a bill called the "Patient Right to Know Act" (H.R. 586).

> *In today's health care environment, it has fallen to the third-party payers to control spending.*

The genesis of "gag clauses"

The federal government has distorted America's health care market to the point that third parties (usually employers or government agencies) pay for most people's health coverage. Because individual consumers do not (directly) foot the bill, they demand more and more medical care and have little incentive to keep costs down themselves.

In today's health care environment, it has fallen to the third-party payers to control spending. Managed care caters to this need with various spending controls, including the alleged "gag clause." Representative Ganske and others worry that certain managed care companies have used "gag clauses" to contractually prohibit doctors from telling patients about expensive treatment options. Patients and doctors have, quite appropriately, expressed outrage at this practice.

H.R. 586 would ban "gag clauses." That is, it would if it could find one. When the General Accounting Office studied the issue, it scoured nearly 1,200 managed care contracts from across the country and found exactly zero "gag clauses." Not a single one. If ever there were any "gag clauses" out there, the market already got rid of them.

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Why not "just in case"?

What's the harm in making it official? The answer is simple: bureaucrats. One study estimates the federal government would have had to hire up to 7,000 new bureaucrats to implement an earlier draft of H.R. 586—an awful lot of new hires to devote to a problem that doesn't exist.

Once in place, and without much to do, those bureaucrats would have done what most bureaucrats do: lobby for and impose new mandates on consumers. The cost of the mandates they generate would be passed on to consumers in the form of higher premiums.

As premiums rise, fewer people will be able to afford coverage. The Congressional Budget Office estimates that every 1 percent increase in premiums causes more than 200,000 Americans to lose coverage. This would generate even more pressure on the federal government for a Clinton-style takeover of the health care system.

Rep. Ganske protests that H.R. 586 would not lead to such an end. Yet many of those who supported the Clinton administration's 1994 takeover attempt now support H.R. 586: They know it will be easier to reach their goal once the Trojan Horse is inside the gates. It is already apparent how they plan to build on H.R. 586. Legislative action on the bill has been postponed by members who, according to reports, "wanted to work on the Ganske measure because it is too narrow."

Try consumer choice

Rather than impose mandates on consumers, Congress should put consumers back in control of their health care decision-making. For example, the federal tax code traps millions of Americans in their employer's health plan by making it twice as expensive for them to purchase their own coverage.

Treating individual health care coverage the same way for tax purposes as employer policies are treated would enable consumers to discipline health plans by voting with their feet. It would also eliminate many of the problems President Clinton and others point to when arguing for a government takeover of the health care system.

The market has already weeded out "gag clauses." It will eliminate many more abuses once consumer choice is restored and consumers are given the ability to walk away from their employer's health plans. Any further restrictions on consumer choice—like H.R. 586—are steps down the road to government-run health care.

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Michael F. Cannon is a health care policy analyst at Citizens for a Sound Economy.

Emissions Trading: Getting It Wrong Again

by Jim Johnston

Proposals to prevent "global warming" dominate the international debate over environmental policy. Those who advocate reducing man-made emissions of greenhouse gases are calling for sweeping changes in the way energy is used around the globe. Advocates of such changes, most prominently spokespersons for the Clinton administration, claim that an "emissions permit trading program" would dramatically reduce the inevitable costs of their proposal.

The pursuit of a global warming treaty has occurred despite the scientific community's serious doubts about whether global warming is occurring and whether a significant human impact on the global climate has been detected. The scenario is hauntingly similar to the events leading up to the enactment of the acid rain portion of the Clean Air Act Amendments of 1990.

Despite the National Acidic Precipitation *Assessment Program's* conclusion that the environmental impact of acid rain was poorly understood and probably insignificant, and that techniques other than emissions reductions (such as adding lime to "acid lakes") would be more cost-efficient, Congress went ahead anyway to enact the bill. The saving grace was to be the emissions trading system. It was supported by a broad coalition of academics, policy analysts, and even some environmentalists.

The design of the system was severely flawed. Rather than a simple system depending on existing legal institutions, a government market was established. It had the usual arrangement of special features for favored constituencies and subtle tinkering with the nature of the allowances to be traded.

The federal government explicitly absolved itself from responsibility for any future changes to, or even abolition of, the system. This was a thinly veiled attempt to circumvent the prohibition in the Fifth Amendment of the Constitution against a government takings without compensation. What the government gives it can take away, with impunity.

The effect was to retard the trading volume and reduce the value of the allowances. Trading figures from March 1994 to March 1997 show that three-quarters of the transactions were simply transfers within each utility's corporate structure. Only a handful of allowances were traded between utilities.

The results have been similar from the Southern California Air Quality Management District's touted RECLAIM system for reducing nitrogen oxide and sulfur dioxide in the South Coast Air Basin. The record there has been small trading volumes and low prices for credits. Indeed, during the early years a majority of the credits traded at a zero price.

The emissions trading schemes developed thus far are government creations heavily laden with regulation. The international system proposed at Kyoto is unlikely to be better.

Having seen two domestic emissions trading systems fall short of their advocates' hopes and claims, we may ask how likely it is that a similar, *international* system would perform as envisioned by proponents of the climate change treaty.

The emissions trading plan embraced in Kyoto provides a "bubble" for the 15 nations of the European Union. The concept has been characterized as an "exclusive trading arrangement" and seems to imply government-to-government trading. The plan would allow each country to choose its own policies to control emissions, ranging from market-based approaches to command-and-control systems.

In response to the European bubble, the U.S., Canada, Japan, Russia, and New Zealand formed an "umbrella." A government-organized market for the trading of excess emissions reductions would have to be constructed and harmonized across the five countries.

It is difficult to see how there could be trading by individual emission sources across national boundaries. The differences among national regimes could preclude what would otherwise be very interesting trades. Consider a multinational energy company that would like to reduce emissions through averaging over all of its international operations. The company would have to deal with as many regimes as there are countries of operations—including some whose governments actively oppose emissions trading.

There may be a way of doing emissions trading right, a hope expressed by the 2,000 signers of the petition circulated among economists. Their faith in market mechanisms is heartening.

However, the emissions trading schemes developed thus far are government creations heavily laden with regulation. The international system proposed at Kyoto is unlikely to be better. Indeed, the nature of the international negotiations adds serious impediments to the process.

To make matters worse, the conference has proceeded for so long down the wrong path, it may be too late to reverse course. The U.S. concessions at both Berlin in 1995 and Kyoto in 1997, after piously posturing against them before these meetings took place, only whets the appetite for more demands. We have not yet seen the end of the political wrangling over this issue.

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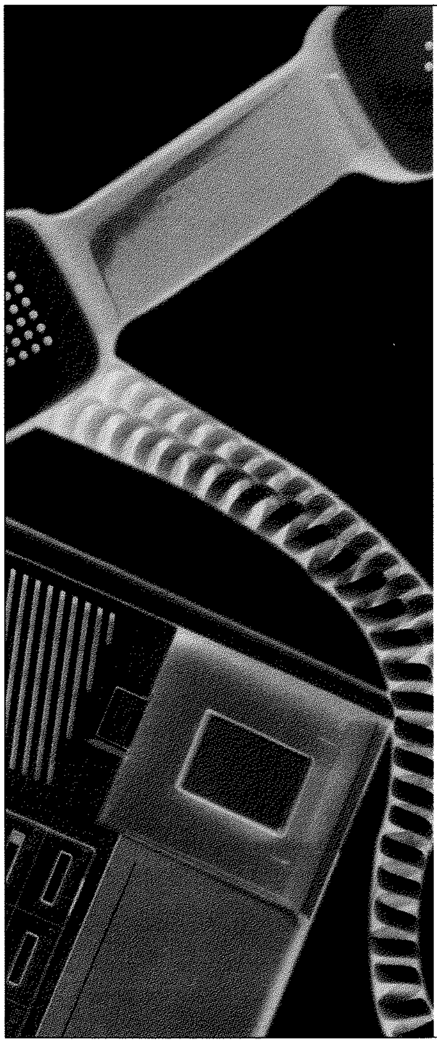

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Ten Key Elements of Economics

by James D. Gwartney and Richard L. Stroup

Excerpted from What Everyone Should Know About Economics and Prosperity, *published by The James Madison Institute and other cooperating organizations. Copyright 1993, second printing 1996. The 120-page book is available from The Heartland Institute for $4.95 plus $3 shipping and handling.*

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1. Incentives matter.

All economic theory is based on the proposition that changes in incentives influence human behavior in a predictable manner. If the benefits derived from an option increase, people will be more likely to choose it. If the personal costs of an option increase, people will be less likely to choose it.

In the marketplace, if the price of a good increases, consumers will buy less of it. Producers, on the other hand, will supply more of it, since the price increase makes it more profitable to produce the good.

If the quantity buyers want to purchase exceeds the quantity sellers are willing to provide, price will rise. The higher price will discourage consumption and encourage production of the good or service, ultimately bringing amount demanded and amount supplied into balance.

Alternatively, if consumers are unwilling to purchase the current output of a good, inventories will accumulate and there will be downward pressure on price. In turn, the lower price will encourage consumption and retard production until the amount demanded by consumers is once again in balance with production of the good.

> *Of course, a good can be provided free to an individual or group if others foot the bill. But this merely shifts the costs; it does not reduce them.*

Markets work because both buyers and sellers alter their behavior in response to changes in incentives.

2. There is no such thing as a free lunch.

The reality of life on our planet is that productive resources are limited, while human desires for goods and services are virtually unlimited. Since we cannot have as much of everything as we would like, we are forced to choose among alternatives.

The use of resources to produce one thing reduces their availability to produce other things. Thus, the use of scarce resources always involves a cost; there is no such thing as a free lunch.

Of course, a good can be provided free to an individual or group if others foot the bill. But this merely *shifts* the costs; it does not reduce them. Politicians often speak of "free education," "free medical care," or "free housing." That terminology is deceptive. None of these things is free. Scarce resources are required to produce each of them.

For example, the buildings, labor, and other resources used to produce schooling could be used instead to produce more food, recreation, entertainment, or other goods. The cost of the schooling is the value of those goods that must now be given up because the resources required for their production were instead used to produce schooling. Governments may be able to shift costs, but they cannot avoid them.

3. Voluntary exchange promotes economic progress.

Mutual gain is the foundation of trade. Parties agree to an exchange because they anticipate that it will improve their well-being. Trade is productive; it permits each of the trading partners to get more of what they want.

There are three major reasons why trade is productive—why it increases the wealth of people. First, trade channels goods and services to those who value them most. A highly technical book on electronics that is of no value to an art collector may be worth hundreds of dollars to an engineer. Similarly, a painting that is unappreciated by an engineer may be an object of great value to an art collector.

Second, exchange permits trading partners to gain from specializing in the production of those things they do best. Specialization allows us to expand total output. A group of individuals, regions, or nations will be able to produce a larger output when each specializes in the production of goods and services it can provide at a low cost, and uses its sales revenue to trade for desired goods.

Third, voluntary exchange permits us to realize gains derived from cooperative effort, division of labor, and the adoption of large-scale production methods. The production of goods from pencils to automobiles involves specialization, division of labor, large-scale production methods, and the cooperation of literally tens of thousands of people. Without exchange, which permits us to have a much wider market for our output, these gains would be lost.

4. Transaction costs are an obstacle to exchange.

Voluntary exchange is productive because it promotes social cooperation and helps us get more of what we want. However, exchange is also costly. The time, effort, and other resources necessary to search out, negotiate, and conclude an exchange are called transaction costs. Transaction costs are an obstacle to the creation of wealth.

People who provide trading partners with information and services that help them arrange trades and make better choices are providing something valuable. Such specialists include real estate agents, stockbrokers, automobile dealers, publishers of classified ads, and a wide variety of merchants. The services of such "middlemen" reduce transaction costs and make it easier for potential buyers and sellers to realize gains from trade.

5. Increases in real income are dependent upon increases in real output.

A higher income and standard of living are dependent upon higher productivity and output. There is a direct relationship between a nation's per-capita income and its per-capita output. In essence, output and income are opposite sides of the same coin. Output is the value of the goods and services produced, as measured by the prices paid by purchasers. Income is the revenue paid to the people (including the entrepreneur's residual revenue) who supply the resources that generate the output.

Once the linkage between output and income is recognized, the real source of economic progress is clarified. We improve our standard of living (income) by figuring out how to produce more output (things that people value). Without increases in real output—that is, output adjusted for inflation—there can be no increases in income and no improvement in our living standards.

6. There are four sources of income growth.

The goods and services that provide for our standard of living do not just happen. Their production requires work, investment, cooperation, machinery, brain power, and organization. There are four major sources of production and income growth.

First, improvements in the skills of workers will promote economic growth. Skillful workers are more productive. Education, training, and experience are the primary ways people improve their skills.

Second, capital formation can also enhance the productivity of workers. Workers can produce more if they work with more and better machines.

Third, an improvement in technology—our knowledge about how to transform resources into goods and services—will also permit us to achieve a larger future output. The use of brain power to discover economical new products and/or less costly methods of production is a powerful source of economic progress.

Finally, improvements in economic organization can also promote economic growth. The legal system of a country, for example, strongly influences the degree of economic cooperation. Effective economic organization will facilitate social cooperation and channel resources toward the production of goods that people value. Conversely, economic organization that protects wasteful practices and fails to reward the creation of wealth will retard economic progress.

> *No central authority is needed to tell business decision-makers what to produce or how to produce it. Prices will do the job.*

7. People earn income by helping others.

People differ with regard to their productive abilities, preferences, opportunities, development of specialized skills, willingness to take risks, and luck. These differences influence incomes because they influence the value of the goods and services individuals will be able or willing to provide to others.

While considering differences among people, we must not lose sight of precisely what income is. Income is simply compensation received in exchange for productive services supplied to others. People who earn large incomes provide others with lots of things that they value. If they did not, other people would not be willing to pay them so generously. There is a moral here. If you want to earn a large income, you had better figure out how to help others a great deal. The converse is also true. If you are unable and unwilling to help others very much, your income will be quite small.

8. Profits direct businesses toward activities that increase wealth.

The people of a nation will be better off if their resources are used to produce goods and services that are highly valued in comparison with their costs. If economic progress is going to proceed, value-increasing projects must be encouraged and value-reducing projects avoided.

This is precisely what profits and losses do in a market setting. In essence, profit is a reward that business owners will earn if they produce a good that consumers value more (as measured by their willingness to pay) than the resources required for the good's production. Profits and losses direct business investment toward projects that promote economic progress and away from those that squander scarce resources.

9. Market prices bring personal self-interest and the general welfare into harmony.

As Adam Smith noted, the remarkable thing about an economy based on private property and freedom of contract is that market prices will bring the actions of self-interested individuals into harmony with the general prosperity of a community or nation. The entrepreneur "intends only his own gain," but he is directed by the "invisible hand" of market prices to "promote an end [economic prosperity] which was not part of his intention."

No central authority is needed to tell business decision-makers what to produce or how to produce it. Prices will do the job. No one has to force the farmer to raise wheat, or tell the construction firm to build houses, or convince the furniture manufacturer to produce chairs. When the prices of these and other products indicate that consumers value them as much or more than their production costs, producers seeking personal gain will supply them.

10. Ignoring secondary effects and long-term consequences is the most common source of error in economics.

Time and again, politicians stress the short-term benefits derived from a policy, while completely ignoring longer-term consequences. Similarly, there seems to be an endless pleading for proposals to help specific industries, regions, or groups without considering their impact on the broader community, including taxpayers and consumers.

Of course, much of this is deliberate. When seeking political favors, interest groups and their hired representatives have an incentive to put the best spin on their case. Predictably, they will exaggerate the benefits, while ignoring important components of costs. When the benefits are immediate and easily visible, while the costs are less visible and mostly in the future, it will be easier for interest groups to sell befuddled economic reasoning.

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